



# **UMUZIWABANTU MUNICIPALITY**

## **FINANCIAL STATEMENTS**

**for the year ended 30 June 2018**

**Auditor General**

## UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2018

### General Information

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#### MUNICIPAL COUNCIL

D. Nciki	(Mayor)
N.T. Ndzingwa	(Deputy Mayor)
M.V. Nyathi	(Speaker)
M.V. Vezi	(Exco Member)
S.J. Ncwane	(Exco Member)
H.J. Ngubelanga	Councillor
N. Ngubelanga	Councillor
M.B. Gavu	Councillor
C.P. Nkomo	Councillor
G.F. Memela	Councillor
N. Nozisali	Councillor
V. Mbata	Councillor
T.A. Disane	Councillor
Z. Hlabe	Councillor
W. Mbotho	Councillor
S.S. Maphumulo	Councillor
C.M. Machi	Councillor
K.S. Mteshana	Councillor
A.M. Cele	Councillor
X.C. Mndela	Councillor

D. Nciki	(District Council Representative)
H.J. Ngubelanga	(District Council Representative)
T.A. Disane	(District Council Representative)

#### GRADING OF MUNICIPALITY

Grade 3

#### AUDITORS

Auditor General of South Africa

#### BANKERS

Nedbank Limited  
First National Bank Limited  
Investec Limited

#### REGISTERED OFFICE

Main Street  
HARDING, 4680

#### POSTAL OFFICE

Private Bag X1023  
HARDING  
4680

#### ACTING: MUNICIPAL MANAGER

ADV. R. Brijraj

#### ACTING: CHIEF FINANCIAL OFFICER

R.Z. Thusi

WEBSITE: [www.umuziwabantu.gov.za](http://www.umuziwabantu.gov.za)

**UMUZIWABANTU MUNICIPALITY**

Financial Statements for the year ended June 30, 2018

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The reports and statements set out below comprise the financial statement presented to the provincial legislature:

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## UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2018

### **Accounting Officer's Responsibilities and Approval**

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The Accounting officer are required by the MFMA, to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly presented the state of affairs of the municipality as at the end of the financial year and the results of its operation and cash flows for the period that ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of General Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledge that he is ultimately responsible of the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error of deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Umuziwabantu Municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system on internal control provides reasonable assurance that the financial control can provide only reasonable, and not absolute assurance against material misstatements of deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the 01 July 2017 to 30 June 2018 and in the light of this review and the current financial position, they are satisfied that the Umuziwabantu Municipality has access to adequate resources to continue in operational existence for the foreseeable future.

I am responsible for the preparation of these annual financial statements, which are set out on pages 4 to 50 in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 28 of these annual financial statement are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

  
Acting: Municipal Manager

19/11/2018.

**UMUZIWABANTU MUNICIPALITY**

Financial Statements for the year ended June 30, 2018

**Statement of Financial Position as at June 30, 2018**

	Note(s)	2 018 R	2 017 R
<b>Assets</b>			
<b>Current assets</b>			
Inventory	7	326 251	516 578
Receivables from exchange transactions	8	4 777 312	3 153 600
VAT receivable	9	3 546 575	1 512 804
Receivables from Non exchange transaction	10	15 958 238	15 755 037
Cash and cash equivalents	11	164 834 205	129 931 073
		<b>189 442 581</b>	<b>150 869 092</b>
<b>Non-current assets</b>			
Investment Property	2	2 702 000	1 459 000
Property, plant and equipment	3	278 747 011	226 855 403
Intangible Asset	4	1 282 128	1 483 675
Plantation Investment	6	31 483 943	27 807 843
		<b>314 215 082</b>	<b>257 605 921</b>
<b>Total Assets</b>		<b>503 657 663</b>	<b>408 475 013</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Finance Lease Liability	14	270 304	320 933
Payables from exchange transactions	17	14 718 315	8 977 790
Consumer deposits	18	527 807	527 247
Unspent grants and receipts	15	1 953 035	3 510 117
Provisions	16	3 181 286	2 711 394
		<b>20 650 748</b>	<b>19 815 021</b>
<b>Non-current liabilities</b>			
Finance Lease Liability	14	-	293 963
Provisions	16	4 125 456	3 767 539
Employee benefit obligation	5	5 596 868	4 926 774
		<b>9 722 324</b>	<b>5 220 737</b>
		<b>30 373 071</b>	<b>25 035 758</b>
<b>Net assets</b>		<b>473 284 591</b>	<b>383 439 255</b>
<b>Net assets</b>			
Reserves			
Revaluation reserve	12	53 440 900	26 468 400
Accumulated Surplus		419 843 691	357 016 146
<b>Total Assets</b>		<b>473 284 591</b>	<b>383 484 546</b>

**UMUZIWABANTU MUNICIPALITY**

Financial Statements for the year ended June 30, 2018

**Statement of Financial Performance**

	Note(s)	2 018 R	2 017 R
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Afforestation Scheme sales		7 502 432	8 277 065
Service charges	21	32 999 550	31 299 363
Rental on facilities and equipment	35	81 902	82 188
Licences and permits		2 077 644	2 077 724
Other Income	24	1 008 721	2 675 066
Interest received - investments	30	11 273 396	10 006 166
<b>Total revenue from exchange transactions</b>		<b>54 943 646</b>	<b>54 417 571</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	20	29 916 185	15 742 605
Property rates-penalties imposed	20	1 434 502	1 158 159
<b>Transfer revenue</b>			
Government grants and subsidies	22	86 094 031	77 430 871
Capital grants	23	34 492 888	27 159 788
Fines		15 250	456 095
<b>Total revenue from non exchange transactions</b>		<b>151 952 856</b>	<b>121 947 518</b>
<b>Total revenue</b>		<b>206 896 502</b>	<b>176 365 089</b>
<b>Expenditure</b>			
Employee related costs	26	(49 767 128)	(44 493 055)
Remuneration of Councillors	27	(8 568 526)	(6 783 733)
Afforestation Scheme general expenses	28	(4 195 418)	(5 186 098)
Afforestation Scheme cost of sales		(3 935 175)	(4 256 322)
Depreciation and amortisation	32	(11 907 162)	(10 370 543)
Finance Costs	33	(947 397)	(812 533)
Finance lease		(117 787)	(82 994)
Debt impairment	29	(2 025 103)	(776 666)
Repairs and maintenance		(4 804 507)	(4 514 007)
Bulk purchases	38	(26 165 356)	(25 047 668)
Contracted services	36	(3 722 512)	(2 499 586)
Transfers and subsidies	37	(1 812 391)	(1 337 400)
General expenses	25	(31 343 542)	(26 764 551)
<b>Total Expenditure</b>		<b>(149 312 004)</b>	<b>(132 925 156)</b>
<b>Operating surplus</b>		<b>57 584 499</b>	<b>43 439 934</b>
Loss on Disposal of assets		(453 245)	(658 436)
Changes in value of plantation	31	3 676 100	(1 499 676)
Actuarial Gains/Losses	5	409 953	491 784
<b>Surplus for the year</b>		<b>61 217 307</b>	<b>41 773 606</b>

**UMUZIWABANTU MUNICIPALITY**

Financial Statements for the year ended June 30, 2018

**Statement of Changes in Net Assets**

	<b>Revaluation Reserve R</b>	<b>Accumulated Surplus/ R</b>	<b>Total net assets R</b>
<b>Balance at 01 July 2016 -(Restated)</b>	<b>26 468 400</b>	<b>315 242 541</b>	<b>341 710 941</b>
Surplus for the year		41 773 606	<b>41 773 606</b>
Total changes	<b>26 468 400</b>	<b>357 016 147</b>	<b>383 484 547</b>
<b>Balance at 01 July 2017</b>	<b>26 468 400</b>	<b>357 016 147</b>	<b>383 484 547</b>
Revaluation of Property	26 972 500		<b>26 972 500</b>
Prior Year Error	55	1 610 238	<b>1 610 238</b>
			<b>0</b>
Surplus for the year		61 217 307	<b>61 217 307</b>
Total changes	<b>53 440 900</b>	<b>419 843 691</b>	<b>473 284 591</b>
Note(s)	12		-

**UMUZIWABANTU MUNICIPALITY**

Financial Statements for the year ended June 30, 2018

**Cash Flow Statement**

	Note(s)	2 018 R	2 017 R
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		70 166 782	56 333 146
Grants		120 586 920	104 590 659
Other receipts		12 282 118	12 673 762
Other cash item			
		<b>203 035 819</b>	<b>173 597 568</b>
<b>Payments</b>			
Employee Costs		(58 335 654)	(51 276 787)
Suppliers		(63 664 864)	(61 058 739)
Finance costs		(117 787)	(83 547)
Other cash items		(8 935 743)	(12 097 825)
		<b>(131 054 048)</b>	<b>(124 516 899)</b>
Net cash flows from operating activities	40	<b>71 981 771</b>	<b>49 080 668</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	(36 649 349)	(30 195 349)
Proceeds from sale of property, plant and equipment	3	649 685	926 765
Proceeds from sale on investment property	2	0	20 000
Purchase of other intangible assets	4	(131 578)	(1 506 242)
Movement in plantation investment			1 499 676
Purchase of other assets			
		<b>(36 131 242)</b>	<b>(29 255 150)</b>
<b>Net cash generated from / (utilised in ) financing activities</b>			
<b>Cash flows from financing activities</b>			
Repayment of other financial liabilities			
Finance lease payments		(947 397)	(734 511)
Other cash item			
		<b>(947 397)</b>	<b>(734 511)</b>
<b>Net cash flows from financing activities</b>			
		<b>(947 397)</b>	<b>(734 511)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>			
		34 903 132	19 091 007
<b>Cash and cash equivalents at the beginning of the year</b>			
		129 931 073	110 840 066
<b>Cash and cash equivalents at the end of the year</b>			
		<b>164 834 205</b>	<b>129 931 073</b>



# UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2018

## Statement of Comparison of Budget and Actual Amount

	Original budget		Budget adjustment (i.t.o S28 and S31 of MFMA)	Final adjustment budget (i.t.o. Council MFMA) policy)		Final Budget		Actual outcome		Unauthorised expenditure		Variance		Actual Outcome as % of final budget		Actual Outcome as % of original budget	
	R	R	R	R	R	R	R	R	R	R	R	R	R	%	%	%	%
2017-2018																	
<b>Financial Performance</b>																	
Property rates	15 073 000.00		8 569 325.74			23 642 325.74		29 916 185.00				-6 293 569.93		0.27		0.50	
Property rates-penalties&collection charges	804 552.00					804 552.00		1 422 750.00				804 552.00		-1.00		0%	
Service charges-electricity revenue	34 154 000.00		-400 078.00			33 753 922.00		30 718 836.00				10 483 495.92		-0.31		-0.47	
Service charges-refuse revenue	2 261 835.14					2 261 835.14		2 280 714.00				350 403.94		-0.15		-0.18	
Rental of facilities and equipment	81 000.00		334.00			81 334.00		81 902.00				13 325.71		-0.16		-0.19	
Interest earned-external investments	7 416 000.00		2 000 000.00			9 416 000.00		11 273 396.36				-1 857 396.36		0.20		0.34	
Fines	824 778.00					824 778.00		15 250.00				809 528.00		-0.98		-53.08	
Licences and permits	532 855.00					532 855.00		405 587.46				127 267.64		-0.24		-0.31	
Agency services	2 118 000.00					2 118 000.00		1 672 056.48				445 943.52		-0.21		-0.27	
Transfers recognised	87 476 000.00		188 162.50			87 664 162.50		86 094 031.28				1 570 131.22		-0.02		-0.02	
Other revenue	1 167 000.00		4 074 337.20			5 241 337.20		1 008 721.45				-2 305 526.04		0.44		0.85	
Actuarial Gains								409 953.00									
Afforestation								7 502 432.00									
<b>Total revenue</b>	<b>151 909 020.14</b>		<b>14 432 081.44</b>			<b>166 341 101.58</b>		<b>172 801 815.03</b>				<b>4 148 155.62</b>		<b>-2.17</b>		<b>-52.84</b>	
Employee costs	60 734 727.02					60 734 727.02		49 767 128.33				10 967 598.69		-0.18		-0.22	
Remuneration councillors	8 645 827.23					8 074 000.00		8 568 525.82				-494 525.82		0.06		-0.01	
Debt impairment	185 973.78					185 973.78		1 901 806.81				-1 715 833.03		9.23		0.90	
Depreciation and asset impairment	10 869 000.00		2 999 976.00			13 868 976.00		11 734 606.00				2 158 493.00		-0.16		0.07	
Finance cost and lease	896 791.00					896 791.00		1 065 184.00				643 344.05		-0.72		-2.54	
Bulk purchases	30 851 647.00					30 851 647.00		26 165 355.65				4 686 291.35		-0.15		-0.18	
Contracted services	3 369 000.00		-48 210.40			3 320 789.60		3 722 512.03				-401 722.43		0.12		0.09	
Repairs and Maintenance	7 125 000.00		-57 000.00			7 068 000.00		4 852 367.00				2 073 633.38		-0.29		-0.43	
Transfers and grants	2 655 346.31					2 655 346.31		1 812 390.96				842 955.35		-0.32		-0.47	
Other expenditure	41 139 000.00		5 022 500.00			46 161 500.00		31 343 031.00				14 165 999.60		-0.31		-0.29	
Transfers recognised																	
<b>Total Expenditure</b>	<b>166 472 112.34</b>		<b>7 917 265.60</b>			<b>173 817 750.71</b>		<b>140 932 907.60</b>									
<b>Operating surplus</b>								<b>31 868 907.43</b>									
Loss on disposal of PPE								80 245.44									
Afforestation								8 130 593.00									
Change in plantation								3 676 100.00									
<b>Surplus/Deficit</b>	<b>-14 563 092.20</b>		<b>6 514 815.84</b>			<b>-7 476 649.13</b>		<b>27 334 168.99</b>				<b>32 926 234.14</b>		<b>1.26</b>		<b>1.50</b>	

# UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2018

## Statement of Comparison of Budget and Actual Amount for assets as at 30 June 2018

	Original budget	Budget adjustment (i.t.o S28 and S31 of MFMA)	Final adjustment budget	Shifting of funds (i.t.o. MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual outcome	authorisation expenditure	Variance	Actual Outcome as % of final budget	Actual Outcome as % of original budget
	R	R	R	R	R	R	R	R	R	%	%
<b>Assets</b>											
Infrastructure Assets	32 980 000.00	-1 250 000.00				31 730 000.00	22 502 812.08		9 227 187.92	-0.41	-0.47
Community Assets	15 072 000.00	1 630 000.00				16 702 000.00	8 093 718.48		8 608 281.52	-1.06	-0.86
Land And Buildings	25 000 000.00	-10 000 000.00				15 000 000.00	185 765.95		14 814 234.05	-79.75	-133.58
Other Assets	6 060 000.00	-664 000.00				5 396 000.00	1 897 137.19		3 498 862.81		
<b>Total Assets</b>	<b>79 112 000.00</b>	<b>-10 284 000.00</b>				<b>68 828 000.00</b>	<b>32 679 433.70</b>	<b>-</b>	<b>36 148 566.30</b>	<b>-1.11</b>	<b>0.41</b>
<b>Funding Sources</b>											
National grant	22 501 000.00	4 750 000.00				27 251 000.00	27 251 000.00		-	-	0.17
Provincial grant						-	-		-	-	-
District grant						-	-		-	-	-
Internal Funding	56 611 000.00	-15 034 000.00				41 577 000.00	5 428 434.00		36 148 566.00	-6.66	-9.43
<b>Total Funding</b>	<b>79 112 000.00</b>	<b>-10 284 000.00</b>				<b>68 828 000.00</b>	<b>32 679 434.00</b>		<b>36 148 566.00</b>	<b>-1.11</b>	<b>0.41</b>

# **UMUZIWABANTU LOCAL MUNICIPALITY**

Annual Financial Statements for the year ended 30 June 2018

## **Accounting Policies**

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### **1) Presentation of Annual Financial Statements**

The Annual Financial Statements have been prepared in accordance with the Statements of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the MFMA.

These Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis on measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these Annual financial statements, are disclosed below.

#### **1.1 Presentation Currency**

These Annual financial statements are presented in South African Rand, which is the functional currency of the municipality

#### **1.2 Changes in Accounting Policy and Comparability**

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the year ended 30 June 2018 the Municipality has adopted the accounting framework as set out below except as excluded by the applicable directives . The details of any resulting changes in the accounting policy and comparative restatements.

The Municipality changes an Accounting policy only if the change:

- a) Is required by a Standard of GRAP; or listed below
- b) Results in the Annual Financial Statements providing reliable and more relevant information about the effects transactions, other events or conditions have on the performance or cash flow.

# UMUZIWABANTU LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

## Accounting Policies

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The following GRAP standards have been approved and effective to the municipality :

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies , Changes in Accounting Estimates and Errors
GRAP 4	The effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interest in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After Reporting Date
GRAP 16	Investment Property
GRAP 17	Property Plant and Equipment
GRAP 18	Segment Reporting
GRAP 19	Provisions , Contingent Liabilities and Contingent Assets
GRAP 21	Impairment of Non - Cash generating Assets
GRAP 23	Revenue from Non- Exchange Transactions (Taxes and Transfers )
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee Benefits
GRAP 26	Impairment of Cash- Generating Assets
GRAP 27	Agriculture
GRAP 31	Intangible Assets
GRAP 100	Discounted Operations
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
GRAP 106	Transfer of Function Between Entities Not Under common Control

## STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been adopted early by the municipality:

GRAP 20	Related Party Disclosures
GRAP 32	Service Concession Arrangements: Grantor
GRAP 34	Separate Financial Statements
GRAP 35	Consolidated Financial Statements
GRAP 36	Investments in Associates and Joint Ventures
GRAP 37	Joint Arrangements
GRAP 38	Disclosure of Interests in Other Entities
GRAP 108	Statutory Receivables
GRAP 109	Accounting by Principals and Agents
GRAP 110	Living and Non-living Resources

Impact on the municipality's financial statements once implemented:

# **UMUZIWABANTU LOCAL MUNICIPALITY**

Annual Financial Statements for the year ended 30 June 2018

## **Accounting Policies**

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None of these standards and interpretations are anticipated to have a material impact on the municipality's financial statements.

Management has considered all of the foregoing GRAP standards issued but not yet effective and effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

### **Significant judgements and sources of estimation uncertainty**

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

#### **Revenue recognition**

Accounting Policy 1.13 on Revenue from Exchange Transactions and Accounting Policy 1.14 on Revenue from Non- exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgment, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions (see Basis of Preparation above). In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

#### **Financial Assets and Liabilities**

The classification of financial assets and liabilities, into categories, is based on judgment by management. Accounting Policy 1.9 on Financial Assets Classification and Accounting Policy 1.9 on Financial Liabilities Classification describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities..

#### **Impairment : Write down of Property Plant and Equipment and Inventories**

Accounting Policy 1.9 on Impairment of Financial Assets describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The

# UMUZIWABANTU LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### Derecognition

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability..

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

### Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

### Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

### Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

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If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

### **Derecognition Financial assets**

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

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On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

### Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

### Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.



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### 1.10 Risk Management of Financial assets and liabilities

It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date.

Risks and exposure are disclosed as follows:

#### Credit Risk:

- Each class of financial instrument is disclosed separately.
- Maximum exposure to credit risk not covered by collateral is specified.
- Financial instruments covered by collateral are specified.

#### Liquidity Risk:

-A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities.  
-Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met. -A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in note 38 to the annual financial statements.

### 1.11 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions and obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

### 1.12 Event after the reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the Annual Financial Statements.

### 1.13 Related parties

Individuals, as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel are defined as the Municipal Manger, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager

### 1.14 Investments

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria

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for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

### 1.15 Leases

#### Finance leases as lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the assets fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payment due in terms of the lease agreement, discounted for the effect of interest in discounting the lease payments the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

#### Municipality as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the net investment in the leases. The receivables are calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease installments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

#### Operating leases - lessor

Operating lease income is recognised as revenue on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the income.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income. Income for leases is disclosed under revenue in the statement of financial performance

#### Operating leases - lessee

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised as an expense in the Statement of Financial Performance accrued on a straight-line basis over the term of the relevant lease.

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### 1.16 Housing development fund

Sections 15(5) and 16 of the Housing Act, (Act No. 107 of 1997), which came into operation on 1 April 1998, required that the Entity maintain a separate housing operating account. This legislated separate operating account is known as the Housing Development Fund.

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund.

In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

The Housing Development Fund is cash-backed and is dedicated to housing needs. The cash was generated by the sale of plots some years ago, and expenditure thereof is subject to approval of the Housing Board.

### 1.17 Changes in accounting policies, estimated and errors

Changes in Accounting Policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period -specific effects or the cumulative effect of the change in policy in such cases the municipality restated the opening balances of assets, liabilities and net assets for earliest period for which retrospective restatement is practicable. Refer to the note for details of changes in accounting policies

Changes in Accounting Estimates are applied prospectively in accordance with GRAP 3 requirements, Details of changes in estimates are disclosures in the notes to the annual financial statements where applicable.

Correction of Errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective are practicable.

The municipality identified and disclosed the impact of GRAP standards that have been issued but are not yet effective in accordance with the requirements of GRAP 3.

### 1.18 Afforestation

The Harding Afforestation Scheme (the Scheme) is managed by NCT Tree Farming (Pty) Ltd (NCT) and NCT is paid a management fee for this service by the Scheme. The Scheme's annual net profit accrues to the Umuziwabantu Municipality (UM). In terms of the agreement between NCT and UM certain fixed assets and the plantations under the control of the Scheme are the property of, and will remain the property of, the Umuziwabantu Municipality. Biological assets (plantation inventories) are stated at fair value less estimated point of sale costs, based on the present value of net future cash flows from the asset discounted at a market determined pre-taxation rate. Increases or decreases in value are recognised in the income statement.

All expenses incurred in maintaining and protecting the assets is recognised in the income statement. Finance charges are not capitalised.

### 1.18 Inventories

## **Accounting Policies**

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### **Initial Recognition**

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

### **1.19 Inventories (continued)**

#### **Subsequent Measurement**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

Consumable stores are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average method. Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

### **1.20 Impairment of cash-generating assets**

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

## **Accounting Policies**

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Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

### **1.21 Impairment of cash-generating assets (continued)**

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the assets in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

### **1.22 Employee benefits**

Employee benefits are all forms of consideration given by an Umuziwabantu Municipality in exchange for service rendered by employees.

Termination benefits are employee benefits payable as result of either, Municipalities decision to terminate an employee's employment before the normal retirement date; or an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

The municipality provided retirement benefits for its employees. Contributions are made to the Natal Joint Municipal Pension Fund to fund the obligations for the payment of retirement benefits in accordance with the rules of the three defined benefit funds administrators. Contribution are charged as an expense in the Statement of Financial Performance in the year that they become payable.

The funds are actuarially valued every three years using the discounted cash flow method. Any deficit identified by the actuary are recovered from participating municipalities in the form of surcharges added to the Contributions which are charged as an expense in the Statement of Financial Performance in the year that they become payable.

## **Accounting Policies**

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Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment. Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees. Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the scheme is equivalent to those arising in a defined contribution retirement benefit plan.

### **Actuarial assumptions**

Actuarial assumptions are unbiased and mutually compatible. Financial assumptions are based on market expectations, at the reporting date, for period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if and only if either;
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

### **1.22 Provisions and contingencies**

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in notes in Annual Financial Statements.

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provision are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discounted rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identify at least:

- The business or part of a business concerned;
- The principal locations affected
- The location, function, and approximate number of employees who will be compensated for

## **Accounting Policies**

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- terminating their service
- The expenditure that will be undertaken; and
- When the plan will be implemented; and
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

### **1.23 Revenue from exchange transactions:**

Service charges relating to refuse removal are raised by means of a rate, and the rate is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised.

Interest and rentals are recognised on a time proportion basis

Dividends are recognised on the date that the municipality becomes entitled to receive the dividends

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement. Revenue from the sale of goods is recognised when the risk is passed to the consumer. Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Where public contributions have been received but the municipality not met the contribution, a liability is recognised.

### **1.24 Revenue from non-exchange transaction:**

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objective and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange or gives value to another municipality without directly receiving approximately equal value in exchange.

Revenue from property rates is recognised when the legal entitlement to this revenue arises and collection charges are recognised when such amounts are legally enforceable.

Penalty interest on unpaid rates is recognised on the time proportion basis.

Fines constitute both spot fines and summonses.

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Revenue from spot fines and summonses is recognised when payment is received.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment are recognised when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councilors or officials is virtually certain.

### **Fines**

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset as per GRAP 1

Assets arising from fines are measured at the estimate of the inflow of resources to the municipality.

### **1.25 Trade payables and borrowings**

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

### **1.26 Comparative figures**

Budgeted amounts have been included in the Annual Financial Statements for the current financial year

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are re-classified. The nature and reason for the reclassification is disclosed.

### **1.27 Unauthorised expenditure**

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the condition of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **1.28 Fruitless and wasteful expenditure**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **1.29 Irregular expenditure**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003) the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act (Act No.20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and



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where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance

### **1.30 Use of estimates**

The preparation of the annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

### **1.31 Trade and other receivables**

Trade and other receivables are categorized as financial assets, loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified current.

### **1.32 Cash and cash equivalent**

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise of cash on hand, deposits held on call with banks net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilized. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried are amortised cost.

### **1.33 Budget information**

Municipality's are typically subject to budgetary limits in the form of appropriation or budget authorizations (or equivalent), which is given effect through authorizing legislation, appropriation or similar.

General purpose financial reporting by the municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives. The approved budget covers the fiscal period from 1 July 2015 to 30 June 2016. The budget for the economic entity includes all the entities approved budgets under its control

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

**UMUZIWABANTU MUNICIPALITY**

Financial Statements for the year ended June 30, 2018

**NOTES TO THE FINANCIAL STATEMENTS**

	2 018 R	2 017 R
<b>2 Investment property</b>		
Investment property	<b>2 702 000</b>	<b>1 459 000</b>

Reconciliation of Investment property	Opening balance	Revaluation	Disposal	Total
Investment property	1 459 000	1 366 000	(123 000)	<b>2 702 000</b>

**Details of Property**

Various land where council intends using it for future development and the fair value disclosed was based on the valuation by an independent valuer, Mills Fitchet, who holds a recognised and relevant professional qualification and has recent experience in the category of the valued investment properties. The properties are all vacant residential properties.

The fixed date for the general valuation date is 1 July 2016.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

**3 Property, plant and equipment**

	2 018			2 017		
	Cost Valuation	Accumulated depreciation and accumulated impairment	Carrying Value	Cost Valuation	Accumulated depreciation and accumulated impairment	Carrying Value
Land	44 388 797	(250 000)	<b>44 138 797</b>	18 782 297	0	<b>18 782 297</b>
Buildings	32 405 377	(10 593 560)	<b>21 811 817</b>	32 263 377	(8 772 717)	<b>23 490 660</b>
Plant and machinery	9 674 147	(5 747 970)	<b>3 926 177</b>	9 304 471	(5 134 582)	<b>4 169 889</b>
Furniture and fixtures	2 228 032	(1 624 068)	<b>603 964</b>	1 989 155	(1 621 594)	<b>367 561</b>
IT equipment	2 986 204	(1 456 594)	<b>1 529 610</b>	3 114 239	(1 109 064)	<b>2 005 175</b>
Roads	165 156 834	(32 897 933)	<b>132 258 901</b>	145 983 184	(28 124 254)	<b>117 858 930</b>
Transport Assets	10 811 341	(4 084 764)	<b>6 726 577</b>	7 276 479	(3 933 996)	<b>3 342 483</b>
Other Leased Assets	962 800	(418 437)	<b>544 363</b>	962 800	(225 877)	<b>736 923</b>
Afforestation	2 641 798	(785 903)	<b>1 855 895</b>	2 611 190	(679 738)	<b>1 931 452</b>
Solid Waste	31 340 411	(669 147)	<b>30 671 264</b>	3 881 799	(1 309 879)	<b>2 571 920</b>
Electricity	12 923 533	(6 699 126)	<b>6 224 407</b>	12 812 127	(6 267 507)	<b>6 544 620</b>
Under construction	28 455 240		<b>28 455 240</b>	45 053 493		<b>45 053 493</b>
<b>Total</b>	<b>343 974 514</b>	<b>(65 227 503)</b>	<b>278 747 011</b>	<b>284 034 611</b>	<b>(57 179 208)</b>	<b>226 855 403</b>

**UMUZIWABANTU MUNICIPALITY**  
Financial Statements for the year ended June 30, 2018  
**NOTES TO THE FINANCIAL STATEMENTS**

**3 Property, plant and equipment**

**Reconciliation of property, plant and equipment**

	Opening balance	Additions	Current year transfers	Disposals	Revaluation movements	Accumulated depreciation disposals	Useful life re-assessment	Depreciation	Impairment loss	Total
Land	18 782 297			(250 000)	25 606 500					<b>44 138 797</b>
Buildings	23 490 659	331 860	1					(1 122 950)	(387 753)	<b>21 811 817</b>
Plant and machinery	4 169 890	418 263	(1)	(48 587)		41 611		(655 000)		<b>3 926 176</b>
Furniture and fixtures	367 560	339 286		(100 409)		97 775		(100 249)		<b>603 963</b>
IT equipment	2 005 175	42 008		(170 043)		163 553		(511 082)		<b>1 529 611</b>
Roads	117 858 933	0	21 348 446					(6 653 825)	(294 652)	<b>132 258 902</b>
Transport Assets	3 342 485	4 271 207	0	(736 345)		595 212		(745 980)		<b>6 726 579</b>
Other Leased Assets	736 924	0	0					(192 560)		<b>544 364</b>
Afforestation	1 931 452	30 610	(1)					(106 166)		<b>1 855 895</b>
Solid Waste	2 571 920	0	29 130 233					(1 030 888)		<b>30 671 265</b>
Electricity	6 545 026	111 000	(405)					(431 214)		<b>6 224 407</b>
Under construction	45 053 493	33 880 426	(50 478 679)		0					<b>28 455 240</b>
<b>Total</b>	<b>226 855 814</b>	<b>39 424 660</b>	<b>(406)</b>	<b>(1 305 384)</b>	<b>25 606 500</b>	<b>898 151</b>	<b>0</b>	<b>(11 549 914)</b>	<b>(1 182 405)</b>	<b>278 747 016</b>

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the Umuziwabantu municipality. Refer to Appendix B for more details on property, plant and equipment. The effective date of re-valuation of land was 1 July 2011, and an independent value, Mills Fitchet, was appointed to do the valuation. The valuation was determined at market related values or recent or recent market transactions at arms length.

**4 Intangible assets**

	2018		2017	
	Cost Valuation	Accumulated depreciation and accumulated impairment	Carrying Value	Cost Valuation
Computer software	<b>1 676 589</b>	<b>(394 461)</b>	<b>1 282 128</b>	<b>1 545 011</b>
				<b>(61 336)</b>
				<b>1 483 675</b>
Reconciliation of Intangible assets	Open Balance	Additions	Total	Open Balance
	<b>1 545 011</b>	131 578	<b>1 676 589</b>	<b>38 770</b>
				<b>1 506 241</b>
				<b>1 545 011</b>

The amortisation expense has been included in the line item "Depreciation" in the Statement of Financial Performance.

**UMUZIWABANTU MUNICIPALITY**

Financial Statements for the year ended June 30, 2018

**NOTES TO THE FINANCIAL STATEMENTS**

	<b>2 018</b>	<b>2017</b>
	<b>R</b>	<b>R</b>
<b>5 Employee benefit obligations</b>		
<b>Calculation of Post employment Medical Subsidy:</b>		
Independent valuer, Arch actuarial consulting, carried out a statutory valuation on an annual basis		
The principal actuarial assumptions used were as follows:		
Discount rate per annum	9.79 %	10.01 %
Healthcare cost inflation	7.51 %	8.27 %
Net discount rate	2.12 %	1.61 %
Example of mortality rates used were as follows:		
	Female	Male
Average retirement age	60	65
Mortality during employment		SA85-90
Members withdrawn from services: (Average for males and females)		
	Female	Male
Age 20	24 %	16 %
Age 30	18 %	12 %
Age 40	10 %	8 %
Age +50	4 %	4 %
Age +55	2 %	2 %
The amounts recognised in the Statement of Financial Position were determined as follows:		
Present value of funded obligations	3 744 996	3 309 097
Fair value of plan assets		
	<b>3 744 996</b>	<b>3 309 097</b>
Movements in the defined benefit obligations is as follows:		
Opening balance	3 309 097	3 033 835
Current service cost	294 935	308 396
Actuarial (gains)/losses	(141 384)	(279 023)
Benefit payments	(46 452)	(33 890)
Interest cost	328 800	279 779
	<b>3 744 996</b>	<b>3 309 097</b>
Post-employment medical benefits loss	n/a	n/a
Medical (gain) / loss	3 744 996	3 309 097
	<b>3 744 996</b>	<b>3 309 097</b>
Statement of Financial performance obligation for:		
Medical (gain) / loss	(141 384)	(279 023)

**UMUZIWABANTU MUNICIPALITY**

Financial Statements for the year ended June 30, 2018

**NOTES TO THE FINANCIAL STATEMENTS**

	<b>2 018</b>	<b>2017</b>
	<b>R</b>	<b>R</b>
<b>5 Employee benefit obligations (continued)</b>		
<b>Calculation of actuarial gains and losses (Long Service Bonus Awards Actuarial Valuation)</b>		
Independent valuer, Arch actuarial consulting, carried out a statutory valuation on an annual basis		
The principal actuarial assumptions used were as follows:		
Discount rate per annum	8.59 %	8.59 %
Healthcare cost inflation	6.41 %	6.41 %
Net discount rate	2.05 %	2.05 %
Example of mortality rates used were as follows:		
	Female	Male
Average retirement age	60	65
Mortality during employment	SA85-90	SA85-90
Members withdrawn from services: (Average for males and females)		
	Female	Male
Age 20	24 %	24 %
Age 30	18 %	18 %
Age 40	10 %	10 %
Age 50	4 %	4 %
Age +55	2 %	2 %
The amounts recognised in the Statement of Financial Position were determined as follows:		
Present value of funded obligations	1 851 872	1 617 677
Fair value of plan assets	-	-
	<b>1 851 872</b>	<b>1 617 677</b>
Actuarial (gains)/losses - Obligation	1 617 677	1 549 464
Current service cost	197 525	197 530
Actuarial (gains)/losses	24 738	(212 761)
Benefit payment	(119 724)	(43 872)
Interest cost	131 656	127 315
	<b>1 851 872</b>	<b>1 617 676</b>
Statement of Financial performance obligation for:		
Post-employment benefits loss	n/a	n/a
Long service award (gain) / loss	1 851 872	1 617 676
	<b>1 851 872</b>	<b>1 617 676</b>
Post-employment benefits loss	n/a	n/a
Long service award (gain) loss	24 738	(212 761)
	<b>24 738</b>	<b>(212 761)</b>

**UMUZIWABANTU MUNICIPALITY**

Financial Statements for the year ended June 30, 2018

**NOTES TO THE FINANCIAL STATEMENTS**

	2 018	2017
	R	R

**5 Employee benefit obligations (continued)****Key assumptions used**

The salaries used in the valuation include an assumed increase on 1 July 2017 of 7.36% as per the SALGBC circular no: 02/2017. The next salary increase was assumed to take place in 1 July 2018.

**Health Care Cost Inflation**

This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs( for example, due to technological advances or changes in utilisation patterns).

A health care cost inflation rate of 8.27% has been assumed. This is 1.5% in excess of expected CPI inflation over the expected term of the liability, namely 6.77%. A larger differential would be unsustainable, eventually forcing members to less expensive options

**Replacement ratio**

This is the expected pension as a percentage of the final salary, at retirement. This assumption is required to determine the income band at retirement of members since some contributions rate tables are income-dependant. A replacement ratio of 65% was assumed. Income bands are assumed to increase with general salary inflation and therefore an explicit salary inflation assumption is not necessary.

**6 Plantation Inventories**

Opening Balance	27 807 843	29 307 519
Gains / (Losses) on changes in plantation standing timber value	3 676 100	(1 499 676)
Afforestation inventory		
Total	<b>31 483 943</b>	<b>27 807 843</b>

Plantation inventories represents consumable biological assets held for harvest as an agricultural produce and yet to attain harvestable specifications. The movement during the year represents a loss from changes in fair value of F 3 676 100. Plantation inventories are stated at fair value less estimated point of sale costs, based on the present value of net future cash flows from the asset discounted at a market determined pre-taxation rate. The scheme reviews its outlook for standing timber prices regularly in considering the need for active financial risks management.

**7 Inventories**

Inventory - Electrical equipment	247 625	245 497
Store stock	7 389	208 975
Afforestation scheme	71 237	62 106
	<b>326 251</b>	<b>516 578</b>

The inventory value is considered as the lower of cost or net realisable value.

**UMUZIWABANTU MUNICIPALITY**

Financial Statements for the year ended June 30, 2018

**NOTES TO THE FINANCIAL STATEMENTS**

	<b>2 018</b>	<b>2017</b>
	<b>R</b>	<b>R</b>
<b>8 Receivables from exchange transactions</b>		
Electricity	3 812 623	4 254 744
Refuse	1 004 721	596 402
Less Provision for Bad Debts	(2 609 917)	(596 565)
Trade debtors	2 559 484	3 143 200
Deposits	10 400	10 400
	<b>4 777 312</b>	<b>7 408 180</b>
Ageing of Exchange Transactions		
<b>Electricity</b>		
Current (0 - 30)	1 875 360	1 554 364
31 - 60 days	737 748	1 000 457
61 - 90 days	283 523	221 618
91 - 120 days	149 916	140 407
121 - 365 days	118 740	221 397
> 365 days	647 236	648 238
	<b>3 812 523</b>	<b>3 786 480</b>
<b>Refuse</b>		
Current (0 - 30)	232 517	167 273
31 - 60 days	153 279	87 323
61 - 90 days	82 819	55 472
91 - 120 days	59 825	33 681
121 - 365 days	51 258	87 339
> 365 days	424 998	165 314
	<b>1 004 695</b>	<b>596 402</b>

The Credit Policy states that the average credit period is 30 days. Interest is charged on overdue accounts and such interest is determined by Council. Management has profiled each debt and considered the effect of any impairment in the value of outstanding debt.

The provision is made annually and is calculated by analysing all the debt above 90 days. The recoverability of debt owing by each debt above 90 days is assessed and the irrecoverable is classified based on the category area. No provision has been made with regards to property rates as there amounts are considered to be fully recoverable.

**9 VAT**

VAT receivable	<b>3 546 575</b>	<b>1 512 804</b>
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VAT is payable on the cash basis. Once payment is received from debtors, VAT is paid over to SARS

**UMUZIWABANTU MUNICIPALITY**

Financial Statements for the year ended June 30, 2018

**NOTES TO THE FINANCIAL STATEMENTS**

	<b>2 018</b>	<b>2017</b>
	<b>R</b>	<b>R</b>
<b>10 Receivables from non-exchange transactions</b>		
<b>Gross balances</b>		
Rates	15 958 238	11 500 457
Traffic Fines	1 731 520	1 731 520
	<b>17 689 758</b>	<b>13 231 977</b>
Less: Allowance for impairment		
Provision for bad debts	<b>(1 731 520)</b>	<b>(1 731 520)</b>
<b>Net Balance</b>		
Rates	15 958 238	11 500 457
Traffic Fines	1 731 520	1 731 520
Provision for bad debts	<b>(1 731 520)</b>	<b>(1 731 520)</b>
	<b>15 958 238</b>	<b>11 500 457</b>
<b>Rates</b>		
Current (0 - 30)	1 215 001	936 509
31 - 60 days	1 026 264	578 234
61 - 90 days	735 892	483 808
91 - 120 days	664 872	258 154
121 - 365 days	615 169	1 425 740
> 365 days	11 701 134	7 818 012
	<b>15 958 333</b>	<b>11 500 457</b>
<b>Traffic Fines</b>		
> 365 days	<b>1 731 520</b>	<b>1 625 870</b>



**UMUZIWABANTU MUNICIPALITY**

Financial Statements for the year ended June 30, 2018

**NOTES TO THE FINANCIAL STATEMENTS**

	<b>2 018</b>	<b>2017</b>
	<b>R</b>	<b>R</b>
<b>10 Debtors (continued)</b>		
Summary of debtors by customer classification		
<b>Consumers</b>		
Current (0 - 30)	1 552 165	1 339 444
31 - 60 days	831 869	891 783
61 - 90 days	586 642	413 824
91 - 120 days	455 172	219 430
121 - 365 days	431 301	1 146 519
> 365 days	7 492 824	4 495 605
	<b>11 349 972</b>	<b>8 506 606</b>
<b>Industrial / Commercial</b>		
Current (0 - 30)	1 268 017	1 297 003
31 - 60 days	883 615	499 322
61 - 90 days	351 194	239 965
91 - 120 days	278 478	153 492
121 - 365 days	235 980	398 859
> 365 days	3 249 200	2 512 194
	<b>6 266 484</b>	<b>5 100 836</b>
<b>National and Provincial government</b>		
Current (0 - 30)	502 725	21 699
31 - 60 days	201 807	274 909
61 - 90 days	164 398	107 109
91 - 120 days	140 964	59 319
121 - 365 days	117 886	189 097
> 365 days	3 762 864	1 628 616
	<b>4 890 645</b>	<b>2 280 749</b>
<b>Total</b>		
Current (0 - 30)	3 322 908	2 658 146
31 - 60 days	1 917 290	1 666 014
61 - 90 days	1 102 234	760 898
91 - 120 days	874 613	432 242
121 - 365 days	785 167	1 734 476
> 365 days	14 504 888	10 725 696
	<b>22 507 101</b>	<b>17 977 472</b>
<b>Provision for debt impairment</b>		
91 - 120 days	(209 741)	(167 850)
121 - 365 days	(169 997)	(79 216)
> 365 days	(3 850 152)	(2 081 019)
	<b>(4 229 890)</b>	<b>(2 328 085)</b>
<b>Net balance</b>	<b>18 277 211</b>	<b>15 649 386</b>

The Credit Control Policy state that the average credit period is 30 days. Interest is charged on overdue accounts and such interest is determined by Council. Management has profiled each debt and considered the effect of any impairment in the value of the outstanding debt.

The provision is made annually and is calculated by analysing all the debt above 90 days. The recoverability of debt owing by each debt above 90 days is assessed and the irrecoverable is classified based on the category area. No provision has been made with regards to property rates as there amounts are considered to be fully recoverable.

**UMUZIWABANTU MUNICIPALITY**

Financial Statements for the year ended June 30, 2018

**NOTES TO THE FINANCIAL STATEMENTS**

	2 018 R	2017 R
<b>11 Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	497	483
Bank balances	9 781 778	3 864 266
Short-term deposits	155 051 930	126 066 323
	<b>164 834 205</b>	<b>129 931 073</b>

The municipality had the following bank accounts

Account number / description			Bank statement balances		Cashbook balances	
			30 June 2018	30 June 2017	30 June 2018	30 June 2017
FNB - Account number :	61240006266	Investment account	517 019	498 065	517 019	498 065
FNB - Account number :	62618238655	Investment account	596 882	14 885 509	596 882	14 885 509
FNB - Account number :	62605479767	Investment account	21 529 210	10 785 579	21 529 210	10 785 579
FNB - Account number :	71767247300	Investment account	20 000 000	-	20 000 000	-
FNB - Account number :	62766746542	Investment account	6 959	-	6 959	-
Nedbank - Account number :	0371 6501 8956/01	Investment account	368 315	345 039	368 315	345 039
Nedbank - Account number :	0371 6501 5337/01	Investment account	350 066	327 961	350 066	327 961
Nedbank - Account number :	0371 6501 4802/0016	Investment account	420 086	4 303 792	420 086	4 303 792
Nedbank - Account number :	0371 6501 4802/01	Investment account	8 764 363	1 877 992	8 764 363	1 877 992
Nedbank - Account number :	0371 6501 8956/18	Investment account	681 681	638 319	681 681	638 319
Nedbank - Account number :	0371 6501 3008/77	Investment account	3 817 966	-	3 817 966	-
Nedbank - Account number :	0371 6502 6169/6	Investment account	27 000 000	-	27 000 000	-
Nedbank - Account number :	0371 6501 3008/39	Investment account	-	-	-	-
Nedbank - Account number :	0371 6501 3008/49	Investment account	-	21 062 422	-	21 062 422
Nedbank - Account number :	0371 6501 5337/01	Investment account	-	-	-	-
Nedbank - Account number :	037165013415/03	Investment account	10 511	1 034 122	10 511	1 034 122
Nedbank - Account number :	037165013415/31	Investment account	15 598 662	-	15 598 662	-
Nedbank - Account number :	116 503 3615	Primary Account	9 289 610	3 831 246	9 399 242	3 864 266
Nedbank - Account number :	0371 6502 6169/01	Investment account	3 379 412	3 343 360	3 379 412	3 343 360
Nedbank - Account number :	0371 6501 3415/12	Investment account	-	19 000 000	-	19 000 000
Investec - Account number :	1100529803451	Investment account	27 000 000	33 275 708	27 000 000	33 275 708
Investec - Account number :	1100 5298 03452	Investment account	25 000 000	-	25 000 000	-
Investec - Account number :	1100 5298 03453	Investment account	-	14 202 822	-	14 202 822
FNB - Account number :	50932742767	Current-Afforestation	393 334	485 634	393 334	485 634
Cash float on hand			497	483	497	483
			164 724 573	129 898 053	164 834 205	129 931 073

**12 Revaluation reserve**

Opening balance	26 468 400	26 468 400
Revaluation of Property	26 972 500	-
<b>Closing Balance</b>	<b>53 440 900</b>	<b>26 468 400</b>

**13 Accumulated surplus**

Ring-fenced internal funds and reserves within accumulated surplus - 2018

	Capital replacement	Capitalisation reserve	Donations and Public Contribution	Unexplained Difference	Total
Opening balance	2 570 196	3 981 424	142 352		6 693 972
Transfer of movement	(2 570 196)		(75 069)	(1 372)	(2 646 637)
<b>Closing Balance</b>	<b>-</b>	<b>3 981 424</b>	<b>67 283</b>	<b>(1 372)</b>	<b>4 047 335</b>

**UMUZIWABANTU MUNICIPALITY**

Financial Statements for the year ended June 30, 2018

**NOTES TO THE FINANCIAL STATEMENTS**

	<b>2 018</b>	<b>2017</b>
	<b>R</b>	<b>R</b>
<b>14 Finance lease obligation</b>		
Minimum lease payments due		
-within one year	270 304	320 933
-in second to fifth year	-	293 963
	<u>270 304</u>	<u>614 897</u>
less: future finance charges		0.00
Present value of minimum lease payments	<u><b>270 304</b></u>	<u><b>614 897</b></u>
Non-current liabilities	-	293 963
Current liabilities	<u>270 304</u>	<u>320 933</u>
	<u><b>270 304</b></u>	<u><b>614 897</b></u>

It is Umuziwabantu Municipality policy to lease certain motor vehicles and equipment under finance leases.

Interest rates are fixed at the contract date. All leases have fixed repayments.

**15 Unspent conditional grants and receipts**

Unspent conditional grants and receipts comprise of:

Small Ton Rehabilitation Grant	91 173	3 301 224
Land Use Management Systems Grant (LUMS)	73 000	73 000
Government Expect Grant	7 890	7 890
Electrification Grant	1 780 972	-
Disaster Management Grant	-	128 003
	<u><b>1 953 035</b></u>	<u><b>3 510 117</b></u>

**Movement during the year**

Balance at the beginning of the year	3 510 117	3 756 777
Additions during the year	27 967 000	27 967 000
Income recognition during the year	(28 213 660)	(28 213 660)
	<u><b>3 263 457</b></u>	<u><b>3 510 117</b></u>

These amounts are invested until utilised.

The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

**UMUZIWABANTU MUNICIPALITY**

Financial Statements for the year ended June 30, 2018

**NOTES TO THE FINANCIAL STATEMENTS**

	<b>2 018</b>	<b>2017</b>
	<b>R</b>	<b>R</b>

**16 Provisions**

Reconciliation of provisions 2017

	Opening balance	Movements	Total
Environmental rehabilitation	3 767 539	357 916	4 125 456
Provision for Accrued Leave	2 711 394	469 892	3 181 286
Present value of minimum lease payments	<b>6 478 933</b>	<b>827 808</b>	<b>7 306 742</b>

Staff leave is accrued to the staff of the municipality on an annual basis subject to certain conditions. The provision is the estimate of the amount due at the reporting date.

The Harding general waste landfill site is amortised over a period of 25 years as per USK Consulting report (engineer). The present value at inception for this rehabilitation is R21 131 293.68. The present value is calculated as follows:

Interest - 9.5%  
Number of years - 25

The present value is R 4 125 456 that was capitalised as at end of 2017/18 financial year. The depreciation is calculated on the straight line basis. The provision of the landfill site increases at a 9.5% rate per annum. In the current financial year an amount of R 357 916 increased the provision.

The Landfill site is registered with the Department of Environmental Affairs.

**17 Payables from exchange transactions**

Trade payables	9 193 565	4 840 764
Accrued bonus	2 112 667	1 969 882
Other creditors	270 411	793 794
Retention	3 141 672	1 373 349
	<b>14 718 315</b>	<b>8 977 790</b>

The average credit period on purchases is 30 days from the receipt of the invoice as determined by the MFMA.

**18 Consumer deposits**

<b>Electricity</b>	<b>527 807</b>	<b>527 247</b>
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**UMUZIWABANTU MUNICIPALITY**

Financial Statements for the year ended June 30, 2018

**NOTES TO THE FINANCIAL STATEMENTS**

	<b>2 018</b>	<b>2017</b>
	<b>R</b>	<b>R</b>
<b>19 Revenue</b>		
Afforestation Scheme sales	7 502 432	8 277 065
Services charges	32 999 550	31 299 363
Rental of facilities	81 902	82 188
Licence and permits	2 077 644	2 077 724
Other income	1 008 721	2 675 066
Interest received - investments	11 273 396	10 006 166
Property rates	29 916 185	15 742 605
Property rates - penalties	1 434 502	1 158 159
Government grants and subsidies	86 094 031	77 430 871
Capital grants	34 492 888	27 159 788
Fines, Penalties and forfeits	15 250	456 095
	<b>206 896 502</b>	<b>176 365 089</b>

The amount included in revenue arising from exchange of goods or services are as follows:

Afforestation Scheme sales	7 502 432	8 277 065
Services charges	32 999 550	31 299 363
Rental of facilities	81 902	82 188
Licence and permits	2 077 644	2 077 724
Other income	1 008 721	2 675 066
Interest received - investments	11 273 396	10 006 166
	<b>54 943 646</b>	<b>54 417 572</b>

The amount included in revenue arising from non-exchange transactions are as follows:

Property rates	29 916 185	15 742 605
Property rates - penalties	1 434 502	1 158 159
Government grants and subsidies	86 094 031	77 430 871
Capital grants	34 492 888	27 159 788
Fines, Penalties and forfeits	15 250	456 095
	<b>151 952 856</b>	<b>121 947 517</b>

**20 Property rates****Rates received**

Residential	6 104 880	4 130 437
Commercial	12 300 147	6 010 487
State	10 000 000	5 311 982
Agriculture	1 506 837	479 119
Public Service Infrastructure	4 321	2 624
Tourism		67 129
	29 916 185	16 001 778
less: Income foregone		(259 173)
Property rates - penalties imposed	1 434 502	1 158 159
	<b>31 350 687</b>	<b>16 900 764</b>

All registered indigents receive a monthly subsidy of 100% rebate on rates which is funded from the Equitable Share Grant

**Valuations**

Residential	548 918 000	425 524 633
Commercial	490 841 000	382 254 000
State	663 285 000	450 613 000
Agriculture	435 983 000	337 536 000
Public Service Infrastructure	35 170 000	5 750 000
Communal	136 160 000	98 380 000
Municipal	46 122 000	24 430 000
Public Benefit Organisation	28 742 000	35 622 000
Tourism	29 900 000	11 250 000
	<b>2 415 121 000</b>	<b>1 771 359 633</b>

Valuations on land and buildings are performed every five years. The last general valuation came into effect on 1 July 2017. Interim valuations are processed to take into account changes in individual property values due to alterations and subdivisions. Different rate randages for Residential, Commercial, Industrial and State properties are applied to property valuations to determine assessment rates. Rates are levied annually. Interest is levied on outstanding rates.

**UMUZIWABANTU MUNICIPALITY**

Financial Statements for the year ended June 30, 2018

**NOTES TO THE FINANCIAL STATEMENTS**

	<b>2 018</b>	<b>2017</b>
	<b>R</b>	<b>R</b>
<b>21 Service charges</b>		
Sale of electricity	30 718 836	29 182 596
Refuse removal	2 280 714	2 116 768
	<b>32 999 550</b>	<b>31 299 363</b>

**22 Operational Grants**

Equitable Share Grant	76 277 391	68 986 092
Other Government Grants	528 004	1 360 170
Free Basic Electricity: Equitable share	3 392 609	3 392 609
Financial Management Grant	1 900 000	1 825 000
Provincialisation of libraries (Cyber cadet) Grant	188 000	179 000
Library Subsidy Grant	583 000	559 000
EPWP Grant	1 006 000	1 129 000
Electrification Grant	2 219 028	-
	<b>86 094 031</b>	<b>77 430 871</b>

**Conditional and Unconditional**

Included in above are the following grants and subsidies received:

**Equitable share***Operating:*

Current year receipts	79 670 000	68 986 092
Conditions met - transferred to revenue	(79 670 000)	(68 986 092)
	-	-

*Capital:*

Current year receipts	99 609	76 377 000
Conditions met - transferred to revenue	(99 609)	(76 377 000)
	-	-

In terms of the Constitution, this Unconditional grant is used to subsidise the provision of basic services . It has been utilised to co-fund operating activities to assist the municipality to efficiently provide service delivery (see note 15)

**NEP Grant (Eskom)**

Balance unspent at beginning of year	-	-
Current year receipts	4 000 000	-
Conditions met - transferred to revenue	(2 219 028)	-
	<b>1 780 972</b>	<b>-</b>

Conditions is still to be met - remain liabilities

This grant was provided by Eskom to the municipality to address the backlog of occupied residential dwellings and the installation of bulk infrastructure, rehabilitation and refurbishment of electricity infracture in order to improve quality of supply.

**Library Support Grant**

Current year receipts	583 000	559 000
Conditions met - transferred to revenue	(583 000)	(559 000)
	-	-

Conditions have been met. This grant is received from the KZN Department of Arts and Culture and is used to subsidise the day to day operating for the Harding Town Library.

**UMUZIWABANTU MUNICIPALITY**

Financial Statements for the year ended June 30, 2018

**NOTES TO THE FINANCIAL STATEMENTS**

	2 018 R	2017 R
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**22 Operational Grants(continued)****Expanded Public Works Programme Grant (EPWP)**

Current year receipts	1 006 000	1 129 000
Conditions met - transferred to revenue	(1 006 000)	(1 129 000)
	<u>-</u>	<u>-</u>

Conditions has been met. This grant was received from the Department of Public Works and it is utilised for job creation to alleviate poverty.

**Small Town Rehabilitation Grant**

Balance unspent at beginning of year	3 301 224	3 301 224
Current year receipts	5 000 000	2 000 000
Conditions met - transferred to revenue	(8 210 051)	(2 000 000)
	<u>91 173</u>	<u>3 301 224</u>

Conditions is still to be met - remains a liability. This grant was received from KZN COGTA in regards to small town rehabilitation.

**Financial Management Grant**

Balance unspent at beginning of year	-	-
Current year receipts	1 900 000	1 825 000
Conditions met - transferred to revenue	(1 900 000)	(1 825 000)
	<u>-</u>	<u>-</u>

The Condition has been met. This grant is used to promote and support reforms in financial management by building capacity in municipalities to implement the MFMA. As part of strengthening financial, asset and risk management in municipalities. The grant also provides funding for an internship programme.

**Land Use Management System Grant (LUMS)**

Balance unspent at beginning of the year	73 000	73 000
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
	<u>73 000</u>	<u>73 000</u>

Condition is still to be met - remains a liability. This grant was provided to assist in the development of Land Use Management Systems.

**Library Cyber Cadet Grant**

Current year receipts	188 000	179 000
Conditions met - transferred to revenue	(188 000)	(179 000)
	<u>-</u>	<u>-</u>

Condition has been met. This grant was received from the KZN Department of Arts and Culture for capacity building and support on information Technology at the Harding Library.

**UMUZIWABANTU MUNICIPALITY**

Financial Statements for the year ended June 30, 2018

**NOTES TO THE FINANCIAL STATEMENTS**

	2 018 R	2017 R
<b>22 Operational Grants(continued)</b>		
<b>Municipal Infrastructure Grant (MIG)</b>		
Balance unspent at beginning of year	-	-
Current year receipts	28 685 000	22 275 000
Conditions met - transferred to revenue	(28 685 000)	(22 275 000)
	-	-

Conditions have been met. This grant is used to address backlogs in municipal infrastructure required for the provision of basic services

**Government Expert Grant**

Balance unspent at beginning of year	7 890	7 890
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
	7 890	7 890

Conditions is still to be met - remains a liability. This grant was used for capacity building in low capacity municipalities.

**Public Participation Grant**

Balance unspent at beginning of the year	-	57 500
Current year receipts	-	-
Conditions met - transferred to revenue	-	(57 500)
	-	-

Conditions have been met - This was received from KZN Department of COGTA and is utilised to print Municipal Interpreted Development Plan booklets

**Disaster Management Grant**

Balance unspent at beginning of the year	128 003	317 163
Current year receipts	400 000	-
Conditions met - transferred to revenue	(528 003)	(189 160)
	-	128 003

Conditions have been met - This was received from Ugu District Municipality and is utilised for disaster Management

**23 Capital Grants**

Municipal Infrastructure Grant	28 685 000	21 161 490
Small Town Rehabilitation Grant	5 807 888	2 000 000
Equitable Share - Capex	-	3 998 298
Disaster Management	-	-
	34 492 888	27 159 788

Capital Grants consist of the above.

**24 Other Income**

Other revenue	599 347	2 301 948
Building plans fees	312 343	178 696
Burial Fees	48 959	86 742
Hall hire and facilities	48 072	107 680
	1 008 721	2 675 066



**UMUZIWABANTU MUNICIPALITY**

Financial Statements for the year ended June 30, 2018

**NOTES TO THE FINANCIAL STATEMENTS**

	<b>2 018</b>	<b>2017</b>
	<b>R</b>	<b>R</b>
<b>25 General Expenses</b>		
Advertising	1 253 480	218 444
Auditors remuneration	2 114 988	1 451 795
Bank charges	135 661	44 743
Bursary	57 687	199 396
Catering	1 423 254	-
Caucus	-	243 631
Conference and seminars	1 639 459	1 457 572
Consulting and Professional fees	750 929	174 542
Disaster Management	110 443	70 204
Electricity	2 833 441	550 028
Employee Assistant programme	7 901	117 209
Entertainment	171 863	238 900
EPWP	114 333	1 125 557
FMG	-	1 821 319
Free basic services		1 870 803
Fuel and oil	2 115 351	2 184 837
Grass Cutting	429 125	395 773
Indigent Rebates	4 701 317	-
Insurance	447 659	173 202
Internal Audit	323 921	995 701
IT Expense		19 700
Job evaluation	363	5 578
LED fund	784 196	486 355
Legal expenses	710 122	261 448
Levies	346 593	359 276
MIG	1 165 090	1 113 750
Motor vehicle expenses	138 905	89 282
Office expenses	292 492	363 750
Operating lease payments (rents)		260 857
Other expenses	1 356 608	1 193 472
Postage and courier	59 670	47 420
Prepaid Commission	519 417	571 000
Printing and stationery	211 831	271 668
Promotions	-	97 187
Protective clothing	142 254	283 779
Public Participation	-	1 210 243
Refuse	209 822	120
Salga Games	458 636	
Special Programmes		2 246 273
Stores and materials	1 557 137	678 297
Subscriptions	594 667	601 497
System Development	1 362 069	-
Telephone and fax	-	976 670
Tools and Equipment	-	140 451
Town planning scheme	145 755	
Training	392 381	243 096
Travel - local	289 031	280 748
Valuation of properties	68 202	1 332 805
Ward Committee	889 841	-
Water	1 017 660	296 172
	<b>31 343 542</b>	<b>26 468 379</b>

**UMUZIWABANTU MUNICIPALITY**

Financial Statements for the year ended June 30, 2018

**NOTES TO THE FINANCIAL STATEMENTS**

	<b>2 018</b>	<b>2017</b>
	<b>R</b>	<b>R</b>
<b>26 Employee related costs</b>		
Basic	31 604 641	28 439 332
Medical aid - company contributions	2 294 636	2 073 208
UIF	335 481	313 515
Leave pay provision charge	889 107	384 185
Pension fund	5 360 118	4 937 255
Overtime payments	4 033 919	4 971 028
Housing benefits and allowances	2 726 839	505 761
Car allowances	2 117 494	2 433 822
Bargaining council levy	20 141	15 877
Cellphone	384 754	419 072
	<b>49 767 128</b>	<b>44 493 055</b>
 Remuneration of Municipal Manager: Mr SD Mbhele (549)		
Annual Remuneration	584 005	931 091
Car allowance	106 315	169 587
Contributions to UIF, Medical aid and pension fund	8 782	231 109
Performance Bonus	172 154	254 946
Leave Pay	39 085	
	<b>910 341</b>	<b>1 586 733</b>
 Remuneration of Director: Community Services: Mr W Gumede (11015)		
Annual Remuneration	806 001	754 391
Car allowance	114 158	106 848
Contributions to UIF, Medical aid and pension fund	79 476	63 562
Performance Bonus	104 333	183 545
	<b>1 103 968</b>	<b>1 108 346</b>
 Remuneration of Director: Technical Services: Mr S Malinga (110115)		
Annual Remuneration	677 278	644 569
Car allowance	132 394	126 000
Contributions to UIF, Medical aid and pension fund	72 527	71 888
Performance Bonus	93 349	80 726
	<b>975 548</b>	<b>923 183</b>
 Remuneration of Director: Acting Municipal Manager: Mr V Kubeka		
Annual Remuneration	331 330	
Car allowance	58 470	
Contributions to UIF, Medical aid and pension fund	4 741	
Cellphone and Travel	13 312	
Performance Bonus	19 860	
	<b>427 713</b>	<b>-</b>
 Remuneration of Director: Acting Chief Financial Officer: Ms N Mngomezulu		
Annual Remuneration	162 186	
Car allowance	54 062	
Contributions to UIF, Medical aid and pension fund	4 348	
Performance Bonus	5 550	
Bach pay	14 787	
	<b>240 933</b>	<b>-</b>

**UMUZIWABANTU MUNICIPALITY**

Financial Statements for the year ended June 30, 2018

**NOTES TO THE FINANCIAL STATEMENTS**

	<b>2 018</b>	<b>2017</b>
	<b>R</b>	<b>R</b>
<b>27 Remuneration of councillors</b>		
Councillors	7 667 200	6 472 818
Telephone allowance	901 326	310 915
	<b>8 568 526</b>	<b>6 783 733</b>
Mayor: Hon. D.Nciki (2031)	840 313	770 382
Deputy Mayor: Cllr MB Gavu (2023)	-	82 242
Deputy Mayor: Cllr TN DZINGWA (2044)	709 475	580 235
Speaker: Cllr AD Ngubo (2030)	-	67 697
Speaker: Cllr MV Nyathi (2025)	715 907	625 311
Exco Member: Cllr NB Dlamini (2000)	-	62 892
Exco Member: Cllr MV Vezi (2013)	687 799	418 692
Exco Member: Cllr SJ Ncwane (2055)	713 527	389 495
MPAC chair Cllr HJ Ngubelanga (2027)	372 873	300 158
Other Councillors	4 528 632	3 486 629
	<b>8 568 526</b>	<b>6 783 733</b>
<b>In-kind benefits</b>		
The Mayor, Deputy Mayor, speaker and Mayoral Committee members are full time. Each is provided with an office and secretarial support at the cost of the Council.		
The Mayor has use of a Council owned vehicle for official duties and has one full time driver.		
<b>28 Administrative expenditure</b>		
Administration and management fees - third party (afforestation)	328 140	318 615
Administration and management fees - related party (afforestation)	3 867 279	4 867 482
	<b>4 195 418</b>	<b>5 186 097</b>
<b>29 Debt impairment</b>		
Debt impairment	<b>2 025 103</b>	<b>776 666</b>
<b>30 Investment revenue</b>		
Interest revenue - Bank	<b>11 273 396</b>	<b>10 006 166</b>
The amount disclosed in the Investment revenue arising from the invested funds that are not immediately required.		
<b>31 Changes in value of plantation</b>		
Plantation standing timber - Afforestation scheme	<b>3 676 100</b>	<b>(1 499 676)</b>
The decrease in value was mainly due to the decrease in Rand price for Acacia and Eucalyptus on the weaker rand exchange rate to the Dollar. Refer to Note 6 for details of the plantation stock.		
<b>32 Depreciation and amortisation</b>		
Property, plant and equipment	<b>11 907 162</b>	<b>10 370 543</b>
<b>33 Finance costs</b>		
Finance leases	<b>947 397</b>	<b>812 533</b>
<b>34 Auditors 'remuneration</b>		
Expenses	<b>2 114 988</b>	<b>1 451 795</b>

**UMUZIWABANTU MUNICIPALITY**

Financial Statements for the year ended June 30, 2018

**NOTES TO THE FINANCIAL STATEMENTS**

	<b>2 018</b>	<b>2017</b>
	<b>R</b>	<b>R</b>
<b>35 Rental of facilities and equipment</b>		
Rental of facilities and equipment	<b>81 902</b>	<b>82 188</b>
<b>36 Contracted services</b>		
Security	<b>3 722 512</b>	<b>2 499 586</b>
<b>37 Grants and Subsidies paid</b>		
Contributions to UGU (South Coast Tourism)	<b>1 812 391</b>	<b>1 337 400</b>
<b>38 Bulk purchases</b>		
Electricity purchases	<b>26 165 356</b>	<b>25 047 668</b>
Electricity Distribution losses - amount	1 654 195	1 499 662
Electricity Distribution losses - %	6%	6%
Losses are contained within the National Energy Regulation of South Africa (NERSA) norms of between 4% and 10%		
<b>39 Cash Generated from operations</b>		
Surplus	61 217 307	41 773 606
Adjustments for:		
Depreciation and amortisation	11 907 162	10 370 543
(Loss) gain on sale of assets and liabilities	453 245	658 436
Changes in value of plantation	3 676 100	(1 499 676)
Debt impairment	2 025 103	776 666
Other liabilities	(2 317 789)	7 384
Finance cost	-	-
Prior adjument		
Changes in working capital:		
Inventories	190 327	43 913
Receivable from exchange transactions	(1 623 712)	(719 017)
(increase )/decrease in other receivables	(2 236 971)	(1 060 201)
(increase )/decrease in investment property	-	-
(increase )/decrease in borrowings	469 892	336 353
(increase )/decrease in trade payables		
(increase )/decrease in conditional grants and receipts		
Payables from exchange transactions	5 740 525	(1 283 635)
Unspent conditional grants and receipts	(1 557 082)	(246 660)
Consumer deposits	560	5 590
	<b>77 944 667</b>	<b>49 163 302</b>

**UMUZIWABANTU MUNICIPALITY**

Financial Statements for the year ended June 30, 2018

**NOTES TO THE FINANCIAL STATEMENTS**

	<b>2 018</b>	<b>2017</b>
	<b>R</b>	<b>R</b>
<b>40 Commitments</b>		
Authorised capital expenditure		
<b>Commitments in respect of capital expenditure Approved and Contracted</b>		
Infrastructure	50 999 404	27 497 802
Community		
Other	9 168 181	6 746 408
<b>Commitments in respect of operating expenditure Approved and Contracted</b>		
Operating expenses	2 238 673	6 910 755
	<b>62 406 258</b>	<b>41 154 966</b>
<b>Approved but not yet contracted for and authorised by council</b>		
Infrastructure	47 099 000	46 530 000
Community	13 034 204	8 500 000
Other	6 126 850	6 160 000
Operating expenses		
	<b>66 260 054</b>	<b>61 190 000</b>
<b>Total Commitments</b>	<b>128 666 312</b>	<b>102 344 966</b>

This committed expenditure relates to property, plant and equipment and will be finance by available bank facilities, retained surpluses, existing cash resources, funds internally generated and other grants to be received from other shares of government etc.

**41 Related parties**

Controlled Afforestation Scheme

Refer to note 52

Councillors

Refer to note 27

Key management personnel

Refer to note 26

Related party transactions:

No transactions have been identified that were not in an arm's length.

**42 Going concern**

We draw attention to the fact that at 30 June 2018, the municipality had accumulated surplus of R 419 843 691 and that the municipality's total liabilities are R 25 697 997 of its Net Assets of R 473 284 591

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

**43 Events after the reporting date**

Treasury disallowed the rollover of the Electrification grant. The municipality lost the case with Nhloso Holdings and is expected to pay the amount to the company.

**44 Unauthorised expenditure**

Umuziwabantu Municipality did not incur any unauthorised expenditure during 2017/2018 financial year.

**45 Fruitless and wasteful expenditure**

Umuziwabantu Municipality did incur fruitless and wasteful expenditure during financial year.

<b>7 409</b>	<b>228 021</b>
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**46 Irregular expenditure**

Opening balance	6 422 723	6 860 737
Add: Irregular expenditure-current year	859 478	6 422 723
Less: amount written off after investigation by council		6 860 737
Closing balance - Irregular expenditure	<b>7 282 201</b>	<b>6 422 723</b>

**UMUZIWABANTU MUNICIPALITY**

Financial Statements for the year ended June 30, 2018

**NOTES TO THE FINANCIAL STATEMENTS**

	<b>2 018</b>	<b>2017</b>
	<b>R</b>	<b>R</b>
<b>47 Contingent Liabilities: (Litigation matters) R 4 219 420.16 due to Municipal By-Laws implementation disputes and SMECSA, Molbro Properties, Payn Brothers and Department of Labour claiming for outstanding payments based on their work done without approved variation orders.</b>		
<b>48 Contingent Liabilities: Wage Curve Agreement</b>		
On 21 April 2010 SALGA signed the "categorisation and job evaluation wage curves collective agreement"(wage curve agreement) with IMATU and SAMWU on behalf of municipalities. The agreement established the wage curves and wage scales to be used by municipalities in determining the wages of municipal employees based on an evaluation of employees jobs per the Task job evaluation system. Subsequent to the signing of the agreement the unions declared a dispute with the agreement. The dispute was referred to the Labour Court and the court delivered a ruling on 22 June 2012 that employees receive a salary increase backdated with the effect 1 July 2010 instead of 1 July 2011. SALGA on behalf of municipalities, applied for leave to appeal this ruling and was granted the right to appeal against the judgement on 29 August 2012. To date this Labour Court of Appeal case has not been finalised. The Municipality has not yet stated the process of the job evaluations and as a result of the uncertainties arising from the dispute declared by the unions and the pending litigation regarding the wage curve agreement, the municipality may have a additional payable for employee wages, depending on the outcome of the pending litigation and finalisation of the job evaluation. As a result of the above standing issues it is not practice to reliably estimate the amount of this payable.		
<b>49 Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to organised local government (SALGA)</b>		
Current year subscriptions / fee	458 636	540 000
Amount paid - current year	(458 636)	(540 000)
	-	-
<b>Audit fees</b>		
Current year subscriptions / fee	2 114 988	1 451 795
Amount paid - current year	(2 114 988)	(1 451 795)
	-	-
<b>PAYE and UIF</b>		
Current year subscriptions / fee	7 513 920	6 786 661
Amount paid - current year	(7 513 920)	(6 786 661)
	-	-
<b>Pension and Medical Aid deductions</b>		
Current year subscriptions / fee	11 695 421	10 500 872
Amount paid - current year	(11 695 421)	(10 500 872)
	-	-
<b>Councillors accounts in arrear</b>		
There are no councillors who had arrear accounts outstanding for more than 90 days as at 30 June 2018.		

**UMUZIWABANTU MUNICIPALITY**

Statement of Financial Position as at June 30, 2018

**NOTES TO THE FINANCIAL STATEMENTS**

	2 018	2017
	R	R

**50 Budget differences**

Material difference between budget and actual amounts, please refer to Appendix E

**51 Afforestation**

The municipality's plantation are known as the Umuziwabantu Municipality Harding Afforestation Scheme. This scheme has entered into an agreement with NCT Forestry Co-operative in terms of which the latter has taken over the management of the timber plantations owned by the Umuziwabantu Municipality Harding Afforestation Scheme. By agreement this function is now being performed by NCT Tree Farming (PTY) Ltd, wholly owned by subsidiary of the co-operative.

In terms of this agreement NCT Tree Farming (PTY) Ltd is entitled to a profit share equal to 5% of the net profit generated by the forestry operations prior to the deduction of such fee.

Further, NCT Tree Farming (PTY) Ltd is not entitled to any payment other than to recovery of direct costs should the forestry operation not make a profit or if a loss is made in any year, nor is it liable for any losses other than in the case of NCT Tree Farming (PTY) Ltd negligence in terms of the agreement.

No taxation has been provided as the net income is attributable directly to the Umuziwabantu Municipality. In previous years the Afforestation Scheme was accounted for using the equity method. From 1 July 2007 the Scheme's operation has been incorporated on a line by line basis into the financial statements.

**52 Private public partnership**

The municipality was not a party to any Private Public Partnerships during the financial year 2017/2018.

**53 Housing Development Fund**

Property, plant and equipment	-	-
Housing Rental Debtors	-	-
Cash Resources	9 232 133	6 216 334
Creditors	-	-
	<b>9 232 133</b>	<b>6 216 334</b>

**54 Supply chain section 36 deviations**

(I) IN AN EMERGENCY	8 640	458 401
(II) ONLY	350 412	48 393
(V) FOLLOW THE OFFICIAL PROCUREMENT PROCESSES	3 058 128	3 596 128
	<b>3 417 180</b>	<b>4 102 922</b>

**UMUZIWABANTU MUNICIPALITY**

Financial Statements for the year ended June 30, 2018

**NOTES TO THE FINANCIAL STATEMENTS**

	2 018 R	2017 R
<b>55 Prior year Adjustments</b>		
Depreciation for finance lease overstated in prior year	(1 432 182)	(280 081)
Landfill site cost overstated in prior years	-	207 633
Landfill site depreciation overstated in prior year	-	(780 720)
Lease Liability Correction	-	7 754
PPE re-assessment of usefull life - Assets becoming fully depreciated in beginning of the year	(178 056)	(1 991 153)
Depreciation for finance lease overstated in prior year	-	206 595
Depreciation for finance lease overstated in prior year	-	(103 808)
PPE re-assessment of usefull life - Assets becoming fully depreciated in beginning of the year	-	(96 595)
	<b>(1 610 238)</b>	<b>(2 830 374)</b>

The adjustments relates to the errors have been identified during the year on assets. The impact is the increase in the carrying value of assets, with a corresponding increase in the Accumulated Surplus.

**56 RISK MANAGEMENT**
**56.1 Maximum credit risk exposure**

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Council. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash.

Financial assets exposed to credit risk at year end were as follows:

Cash and cash equivalents	164 834 205	129 931 073
Trade and other receivables	4 777 312	3 153 600
Receivables from exchange transactions	#REF!	18 083 123

**56.2 Liquidity risk**

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

**2018**

	<b>Not later than one month</b>
Payables from exchange transactions	14 718 315
Consumer deposits	527 807
Unspent grants and receipts	1 953 035

**2017**

	<b>Later than three months and not later than one year</b>
Payables from exchange transactions	8 977 790
Consumer deposits	527 247
Unspent grants and receipts	3 510 117

**56.3 Interest rate risk**

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.



UMUZIWABANTU LOCAL MUNICIPALITY  
Financial Statements for the year ended 30 June 2018  
Statement of Financial Position as at 30 June 2018

57 Reclassification

Reclassification due to MSCOA.  
The municipality implemented MSCOA (Municipal Standard Chart of Accounts) effective 1 July 2017. The implementation of MSCOA has resulted in the reclassification of MSCOA has resulted in the

	Note(s)	2017 Audited R	Prior year Adjustment R	Reclassification Adjustment R	Restated 2017 R	2016 R
<b>Assets</b>						
<b>Current assets</b>						
Inventory	7	516 578	-	-	516 578	560 491
Receivables from exchange transactions	8	3 153 800	-	-	3 153 800	2 434 583
VAT receivable	9	1 512 804	-	-	1 512 804	2 588 574
Consumer debtors	10	15 755 037	-	-	15 755 037	12 638 232
Cash and cash equivalents	11	129 931 073	-	-	129 931 073	110 840 066
		<b>150 869 092</b>	<b>-</b>	<b>-</b>	<b>150 869 092</b>	<b>129 061 945</b>
<b>Non-current assets</b>						
Investment Property	2	1 459 000	-	-	1 459 000	1 479 000
Property, plant and equipment	3	226 855 403	-	-	226 855 403	202 633 413
Intangible Asset	4	1 483 675	-	-	1 483 675	23 908
Plantation Investment	6	27 807 843	-	-	27 807 843	29 307 519
		<b>257 605 921</b>	<b>-</b>	<b>-</b>	<b>257 605 921</b>	<b>233 443 840</b>
<b>Total Assets</b>		<b>408 475 013</b>	<b>-</b>	<b>-</b>	<b>408 475 013</b>	<b>362 505 785</b>
<b>Liabilities</b>						
<b>Current liabilities</b>						
Finance Lease Liability	14	320 933	-	-	320 933	261 866
Payables from exchange transactions	17	8 977 790	-	-	8 977 790	7 950 143
Consumer deposits	18	527 247	-	-	527 247	521 657
Unspent grants and receipts	15	3 510 117	-	-	3 510 117	3 756 777
Provisions	16	6 478 933	-	-	6 478 933	6 142 580
		<b>19 815 021</b>	<b>-</b>	<b>-</b>	<b>19 815 021</b>	<b>18 633 023</b>
<b>Non- current liabilities</b>						
Finance Lease Liability	14	293 963	-	-	293 963	408 897
Employee benefit obligation	5	4 926 774	-	-	4 926 774	4 583 299
		<b>5 220 737</b>	<b>-</b>	<b>-</b>	<b>5 220 737</b>	<b>4 992 196</b>
		<b>25 035 758</b>	<b>-</b>	<b>-</b>	<b>25 035 758</b>	<b>23 625 219</b>
<b>Net assets</b>		<b>383 439 255</b>	<b>-</b>	<b>-</b>	<b>383 439 255</b>	<b>338 880 567</b>
<b>Net assets</b>						
Reserves						
Revaluation reserve	12	26 468 400	-	-	26 468 400	26 468 400
Accumulated Surplus		356 970 854	-	-	356 970 854	312 412 167
<b>Total Assets</b>		<b>383 439 254</b>	<b>-</b>	<b>-</b>	<b>383 439 254</b>	<b>338 880 567</b>

**UMUZWABANTU LOCAL MUNICIPALITY**  
Financial Statements for the year ended 30 JUNE 2018  
**Statement of Financial Performance**

	Note(s)	2017 Audited R	Prior Year Adjustment R	Reclassification Adjustment R	Restated 2017 R	2016 R
<b>Revenue</b>						
Revenue from exchange transactions						
Afforestation Scheme sales	18	8 277 065	-	-	8 277 065.00	9 701 124
Service charges	19	31 299 363	-	-	31 299 363.44	29 538 570
Rental on facilities and equipment		82 188	-	-	82 188.00	37 861
Licences and permits		2 077 724	-	-	2 077 723.61	2 199 713
Other Income	20	2 675 066	-	-	2 675 065.59	2 677 387
Interest received - investments	21	10 006 166	-	-	10 006 165.78	7 270 710
<b>Total revenue from exchange transactions</b>		<b>54 417 571</b>	<b>-</b>	<b>-</b>	<b>54 417 571.42</b>	<b>51 425 365</b>
<b>Revenue from non-exchange transactions</b>						
Taxation revenue						
Property rates	22	15 742 605	-	-	15 742 604.86	14 528 594
Property rates-penalties imposed	22	1 158 159	-	-	1 158 158.84	855 466
<b>Transfer revenue</b>						
Government grants and subsidies	23	77 430 871	-	-	77 430 871.45	82 571 119
Capital grants	24	27 159 788	-	-	27 159 787.85	24 523 220
Fines		456 095	-	-	456 094.74	358 864
<b>Total revenue from non exchange transactions</b>		<b>121 947 518</b>	<b>-</b>	<b>-</b>	<b>121 947 517.74</b>	<b>122 837 263</b>
<b>Total revenue</b>		<b>176 365 089</b>	<b>-</b>	<b>-</b>	<b>176 365 089.16</b>	<b>174 262 629</b>
<b>Expenditure</b>						
Employee related costs	26	(44 493 055)	-	-1 125 556.72	-45 618 611.47	(39 757 372)
Remuneration of Councillors	27	(6 783 733)	-	-	-6 783 732.73	(6 174 207)
Afforestation Scheme general expenses	28	(5 186 098)	-	-	-5 186 097.68	(5 037 159)
Afforestation Scheme cost of sales		(4 256 322)	-	-	-4 256 322.20	(4 519 322)
Depreciation and amortisation	32	(10 370 543)	-	-	-10 370 543.07	(11 430 414)
Finance Costs	33	(812 533)	-	-	-812 533.03	(38 206)
Finance lease		(82 994)	-	-	-82 994.12	(282 944)
Debt impairment	29	(776 866)	-	-	-776 665.78	(173 580)
Repairs and maintenance		(4 514 007)	-	4 514 006.71	-	(3 978 411)
Bulk purchases	39	(25 047 668)	-	25 047 668.41	-	(22 923 839)
Contracted services	37	(2 499 586)	-	-33 666 640.65	-36 166 227.12	(2 084 375)
Transfers and subsidies	38	(1 337 400)	952 764.00	-	-384 636.00	(327 267)
General expenses	25	(26 764 551)	-952 764.00	-	-22 486 792.36	(20 163 682)
<b>Total Expenditure</b>		<b>(132 925 156)</b>	<b>-</b>	<b>5 230 522.25</b>	<b>-132 925 155.56</b>	<b>(117 229 683)</b>
<b>Operating surplus</b>		<b>43 439 934</b>	<b>-</b>	<b>-</b>	<b>43 439 933.60</b>	<b>57 032 945</b>
Loss on Disposal of assets		(558 436)	-	-	-658 435.85	(338 905)
Changes in value of plantation	31	-1 499 676	-	-	-1 499 676.00	6 101 876
Actuarial Gains/Losses	5	491 784	-	-	491 784.00	12 493
<b>Surplus for the year</b>		<b>41 773 606</b>	<b>-</b>	<b>-</b>	<b>41 773 605.75</b>	<b>63 147 314</b>

UMUZIWABANTU LOCAL MUNICIPALITY  
Financial Statements for the year ended 30 JUNE 2018  
Statement of Financial Performance

	Note(s)	2017 Audited R	Prior year Adjustment R	Reclassification Adjustment R	Restated 2017 R	2 016 R
<b>RECLASSIFICATION</b>						
<b>1 Service charges</b>						
Balance previously reported					-31 299 363.44	
Movements from Other Income					-	
Movements from Other					-	
<b>Restated Balance On Service Charges</b>					<b>-31 299 363.44</b>	
<b>2 Rental of facilities and equipment</b>						
Balance previously reported					-82 188.00	
Movements from Other Income					-	
<b>Restated Balance on Rental of Facilities and Equipment</b>					<b>-82 188.00</b>	
<b>3 Licences and permits</b>						
Balance previously reported					-2 077 723.61	
Movements from Other Income					-	
<b>Restated Balance on Licences and permits</b>					<b>-2 077 723.61</b>	
<b>4 Other Income</b>						
Balance previously reported					-2 675 065.59	
Movement					-	
<b>Restated Balance on Licences and permits</b>					<b>-2 675 065.59</b>	
<b>5 Government grants &amp; subsidies</b>						
Balance previously reported					-77 430 871.45	
Movement					-	
<b>Restated Balance on Government grants &amp; subsidies</b>					<b>-77 430 871.45</b>	
<b>6 Fines</b>						
Balance previously reported					-456 094.74	
Movement					-	
<b>Restated Balance on Fines</b>					<b>-456 094.74</b>	
<b>7 Employee related costs</b>						
Balance previously reported					-44 493 054.75	
Movement of EPWP from General Expenses					-1 125 556.72	
Movement					-	
<b>Restated Balance on Employee relates Costs</b>					<b>-45 618 611.47</b>	
<b>8 Repairs and Maintenance</b>						
Balance previously reported					-4 514 006.71	
Reclassification to General Expense					229 767.47	
Reclassification to Contracted Services					4 284 239.24	
<b>Restated Balance on Repairs and Maintenance</b>					<b>-</b>	
<b>Bulk Purchases</b>						
Balance previously reported					-25 047 668.41	
Reclassification to Contracted Services					25 047 668.41	
<b>Restated Balance on Bulk Purchases</b>					<b>-</b>	
<b>9 Contracted services</b>						
Balance previously reported					-2 499 586.47	
Reclassification from Bulk Purchases					-25 047 668.41	
Reclassification from Repairs & Maintenance					-4 284 239.24	
Reclassification from General Expenses					-4 334 733.00	
<b>Restated Balance on Contracted Services</b>					<b>-36 166 227.12</b>	
<b>10 Grants and subsidies paid</b>						
Balance previously reported					-1 337 400.00	
Movement to General Expenses					952 764.00	
<b>Restated Balance on Grants and Subsidies Paid</b>					<b>-384 636.00</b>	
<b>11-General Expenses</b>						
Balance previously reported					-26 764 550.61	
Movement of EPWP to Salaries and Allowances					1 125 556.72	
Movement from Transfers and Subsidies					-952 764.00	
Reclassification to Contracted Services					4 334 733.00	
Reclassification from Repairs & Maintenance					-229 767.47	
<b>Restated Balance on General Expenses</b>					<b>-22 486 792.36</b>	

GRAP 1 Paragraph .44 states .44 Except when a Standard of GRAP permits or requires otherwise, comparative information shall be presented in respect of the

This implies that where municipalities have changed amounts that were previously disclosed in the prior years audited financial statements, this results in a

- (a) The nature of the reclassification;
- (b) The amount of each item or class of items that is reclassified; and
- (c) The reason for the reclassification.

Furthermore, paragraph 50 states, "When it is impracticable to reclassify comparative amounts, an entity shall disclose:

- (a) The reason for not reclassifying the amounts; and
- (b) The nature of the adjustments that would have been made if the amounts had been reclassified."

It is therefore recommended that the same disclosure applies where amounts have been restated.

APPENDIX A

**UMUZIWABANTU MUNICIPALITY**  
Financial Statements for the year ended June 30, 2018  
**SCHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDED 30 JUNE 2018**

EXTERNAL LOANS	Loan	Interest rate	Maturity date	Balance at 30/06/2009 R	Received during the Period R	Interest paid during the period R	Redeemed written off during the period R	Balance 30/06/2010 R	Carrying Value of Property Plant & Equipment R	Other Costs in Accordance with the MFMA R
Annuity Loans										
<b>TOTAL EXTERNAL LOANS</b>				-	-	-	-	-		

Note

THE MUNICIPALITY HAS NO LOANS AT REPORTING DATE.

APPENDIX B  
URUZWABANTU MUNICIPALITY  
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2018

	Cost/Revaluation					Opening Balance	Accumulated Depreciation Current Year	Disposals	Closing Balance	Write Downs	Impairments	Closing Balance	Carrying Value
	Opening Balance	Fair Value	Additions	Disposals	Asset Transfers								
LAND	18 782 297	-	-	(250 000)	-	18 532 297	-	-	18 282 297	-	-	18 282 297	18 282 297
BUILDINGS	32 283 377	-	296 360	-	-	32 579 737	1 122 950	-	33 702 687	-	887 753	34 590 440	33 702 687
INFRASTRUCTURE	160 491 934	-	146 500	-	50 478 679	211 117 113	8 943 873	-	220 060 986	-	294 652	220 355 638	161 255 900
ROADS	145 983 185	-	-	-	21 348 446	167 331 631	6 653 825	-	173 985 456	-	294 652	174 280 108	132 255 900
SOLID WASTE	1 696 217	-	-	-	29 130 233	30 826 449	958 034	-	31 784 483	-	-	31 784 483	28 995 659
CEMETARIES	-	-	35 500	-	-	35 500	-	-	35 500	-	-	35 500	35 500
ELECTRICITY	12 812 533	-	111 000	-	-	12 923 533	431 214	-	13 354 747	-	-	13 354 747	6 224 406
ASSETS UNDER CONSTRUCTION	45 053 493	-	33 880 426	-	(50 478 679)	28 455 240	-	-	28 455 240	-	-	28 455 240	28 455 240
OTHER	21 684 344	-	5 070 784	(1 055 384)	-	25 699 724	2 012 311	(898 152)	27 813 883	-	-	27 813 883	12 786 329
FURNITURE AND OFFICE EQUIPMENT	1 989 155	-	339 286	(100 409)	-	2 227 931	100 249	(97 775)	2 230 395	-	-	2 230 395	603 964
TRANSPORT ASSETS	7 276 479	-	4 271 207	(736 345)	-	10 811 341	745 980	(595 212)	10 962 109	-	-	10 962 109	6 728 578
COMPUTER EQUIPMENT	3 114 239	-	42 008	(170 043)	-	2 986 204	511 082	(163 553)	3 333 733	-	-	3 333 733	1 528 610
MACHINERY AND EQUIPMENT	9 304 471	-	418 263	(48 587)	-	9 674 148	655 000	(41 611)	10 287 537	-	-	10 287 537	3 928 177
FINANCE LEASED ASSETS	962 800	-	-	-	-	962 800	192 560	-	1 155 360	-	-	1 155 360	544 363
AFFORESTATION (CONSOLIDATED)	2 611 190	-	30 610	-	-	2 641 800	106 166	-	2 747 966	-	-	2 747 966	1 855 896
SOLID WASTE (LANDFILL SITE)	2 185 582	-	-	-	-	2 185 582	72 854	-	2 258 436	-	-	2 258 436	1 675 605
PPE TOTAL	284 035 017	-	39 424 660	(1 305 384)	-	342 154 293	11 549 914	(898 152)	351 806 055	-	1 182 404	352 988 459	278 747 013

ANALYSIS OF INTANGIBLE ASSETS FOR THE YEAR ENDED 30 JUNE 2018

	Cost/Revaluation					Opening Balance	Accumulated Depreciation Current Year	Disposals	Closing Balance	Write Downs	Impairments	Closing Balance	Carrying Value
	Opening Balance	Fair Value	Additions	Disposals	Asset Transfers								
INTANGIBLE ASSETS	1 545 011	-	131 578	-	-	1 676 589	333 125	-	2 009 714	-	-	2 009 714	1 282 129
ANALYSIS OF INVESTMENT PROPERTY FOR THE YEAR ENDED 30 JUNE 2018													
LAND INVESTMENT	1 459 000	-	-	(123 000)	-	1 336 000	-	-	1 336 000	-	-	1 336 000	2 702 000
ASSETS TOTAL	287 039 028	-	39 556 238	(1 428 384)	-	325 166 882	11 883 039	(898 152)	344 051 968	-	1 182 404	345 234 372	282 731 141
Check SUM	287 039 028	-	39 556 238	(1 428 384)	-	325 166 882	11 883 039	(898 152)	344 051 968	-	1 182 404	345 234 372	282 731 141

**APPENDIX C**  
**UMUZIWABANTU MUNICIPALITY**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2018**

	Cost			Accumulated Depreciation				Carrying Value					
	Opening Balance	Fair Value 2017/2018	Additions 2017/2018	Disposals 2017/2018	Asset Transfer 2017/2018	Revaluations Adjustments 2017/2018	Closing Balance						
Municipal Manager	4 122 600	-	11 575	(24 778)	-	-	4 109 397	821 379	155 487	(23 969)	-	-	952 898
Mayor	44 066	-	-	(350)	-	-	43 716	18 198	8 395	(296)	-	-	26 297
Council General	10 981 146	-	860 564	(653)	29 130 233	-	40 971 290	5 282 203	1 258 381	(652)	-	286	6 540 218
Corporate Services	24 687 183	-	532 777	(261 835)	-	25 606 500	50 964 625	1 869 985	478 629	(11 620)	-	-	2 336 994
Human Resources	17 334	-	-	-	-	-	17 334	6 329	2 962	-	-	-	9 291
Development / Admin Services	708 396	-	-	-	-	-	708 396	329 260	23 178	-	-	-	352 437
Technical Services	35 633 791	-	35 087 575	(2 061)	(50 478 679)	-	20 250 627	809 334	244 569	(1 989)	-	-	1 051 915
Electricity	19 622 677	-	111 000	-	-	-	19 733 677	8 216 249	601 088	-	-	-	8 817 337
Public Works	94 200	-	-	-	-	-	94 200	15 700	6 280	-	-	-	21 980
Parks and Gardens	4 722 206	-	1 219 992	-	-	-	5 942 198	898 800	189 047	-	-	16 816	1 104 662
Refuse Removal	2 128 228	-	-	-	-	-	2 128 228	1 286 279	128 060	-	-	-	1 414 339
Roads	154 824 405	-	-	(12 799)	21 348 446	-	176 160 052	29 141 952	6 760 653	(7 182)	-	284 652	36 190 075
Mechanical Workshop	2 490 562	-	-	(300)	-	-	2 490 262	903 480	343 604	(300)	-	-	1 243 784
Financial Services	1 023 501	-	-	(39 096)	-	-	984 405	656 439	101 350	(38 980)	-	-	718 810
Procurement	688 386	-	-	(21 861)	-	-	666 525	93 534	119 744	(21 118)	-	-	192 160
Community Services	10 836 856	-	494 301	-	-	-	11 331 157	837 356	657 447	-	-	870 651	2 365 454
Clinic	-	-	-	-	-	-	-	-	-	-	-	-	-
Library	891 779	-	-	(177 842)	-	-	713 938	555 052	83 770	(169 833)	-	-	468 989
Protection Services	1 343 096	-	518 583	(27 465)	-	-	1 834 215	609 804	147 810	(27 002)	-	-	730 612
Fire	1 045 749	-	518 583	(736 345)	-	-	827 987	597 775	36 371	(595 212)	-	-	38 934
Law Enforcement	23 445	-	29 100	-	-	-	52 545	5 530	4 016	-	-	-	9 546
Estates	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	3 308 639	-	-	-	-	-	3 308 639	3 108 115	20 052	-	-	-	3 128 168
Afforestation	2 811 190	-	30 610	-	-	-	2 841 800	679 738	106 166	-	-	-	785 904
Landfill Site	2 185 582	-	-	-	-	-	2 185 582	437 123	72 854	-	-	-	509 977
TOTAL PPE	284 035 017	-	39 424 660	(1 305 384)	-	25 606 500	347 760 792	57 179 614	11 549 914	(898 152)	-	1 182 404	69 013 781
													278 747 012

<b>Intangible Assets</b>	<b>1 545 011</b>	<b>-</b>	<b>131 578</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 676 589</b>	<b>61 336</b>	<b>333 125</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 282 129</b>
<b>INV</b>	<b>1 459 000</b>	<b>-</b>	<b>-</b>	<b>(123 000)</b>	<b>-</b>	<b>1 366 000</b>	<b>2 702 000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 702 000</b>
<b>Total Assets</b>	<b>287 039 028</b>	<b>-</b>	<b>39 556 238</b>	<b>(1 428 384)</b>	<b>-</b>	<b>26 972 500</b>	<b>352 139 381</b>	<b>57 240 949</b>	<b>11 883 039</b>	<b>(898 152)</b>	<b>-</b>	<b>1 182 404</b>	<b>69 408 241</b>
<b>NOTES:</b>													<b>282 731 141</b>

APPENDIX D  
UMUZIWABANTU MUNICIPALITY  
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2018

2 018 Actual Income	2 018 Actual Expenditure	2 018 Surplus / Deficit		2 017 Actual Income	2 017 Actual Expenditure	2 017 Surplus / Deficit
R	R	R		R	R	R
<b>RATES AND GENERAL SERVICE</b>						
10 209 613	(13 110 810)	(2 901 197)	Executive and Council	23 277 586	(19 997 119)	3 280 467
64 852 642	(36 610 261)	28 242 381	Finance and Administration	47 301 877	(30 878 794)	16 423 083
8 376 069	(15 756 386)	(7 380 317)	Community and Social Services	8 189 235	(12 934 425)	(4 745 190)
34 949 592	(2 164 683)	32 784 910	Planning and Development	33 501 880	(7 457 167)	26 044 713
1 128 004	(268 713)	859 291	Disaster Management	716 189	(269 811)	446 378
3 434 181	(6 127 981)	(2 693 800)	Road Transport	10 788 217	(9 698 815)	1 089 402
3 000 000	(3 916 916)	(916 916)	Sport and Recreation	3 000 000	(4 827 061)	(1 827 061)
23 689 952	(21 842 274)	1 847 679	Other	1 890 244	(86 063 192)	(84 172 948)
<b>149 640 054</b>	<b>(99 798 024)</b>	<b>49 842 030</b>	<b>Total Rates and General Services</b>	<b>128 665 228</b>	<b>(172 126 384)</b>	<b>(43 461 156)</b>
<b>TRADING SERVICE</b>						
38 026 291	(33 013 547)	5 012 744	Electricity	34 797 697	(30 712 099)	4 085 598
38 026 291	(33 013 547)	5 012 744		34 797 697	(30 712 099)	4 085 598
6 170 855	(6 274 137)	(103 281)	Waste Management	4 749 985	(7 283 131)	(2 533 146)
6 170 855	(6 274 137)	(103 281)		4 749 985	(7 283 131)	(2 533 146)
7 502 432	(4 454 493)	3 047 939	Afforestation Scheme	9 023 906	(11 069 667)	(2 045 761)
7 502 432	(4 454 493)	3 047 939		9 023 906	(11 069 667)	(2 045 761)
<b>201 339 632</b>	<b>(143 540 200)</b>	<b>57 799 432</b>	<b>TOTAL</b>	<b>177 236 816</b>	<b>(221 191 281)</b>	<b>(43 954 465)</b>

APPENDIX E (1)

UMUZIWABANTU MUNICIPALITY: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)  
FOR THE YEAR ENDED 30 JUNE 2018

	2018 Actual R	2018 Budget R	2016 Variance R	%	Explanation of Significant Variances greater than 10%
<b>REVENUE</b>					
Property rates	29 916 185.00	23 642 326.00	-6 293 570.00	0.27	N/A
Property rates-penalties and charges	1 422 750.00	804 552.00	804 552.00	-1.00	Higher debtors book resulted in increased interest charged
Service charges	32 999 550.00	36 015 757.00	10 833 900.00	-0.30	Consumers used less electricity
Rental on facilities and equipment	81 902.00	81 334.00	13 326.00	-0.16	Overbudgeted for rental of facilities
Interest earned-external investments	11 273 396.00	9 416 000.00	-1 857 396.00	0.20	High interest rate during the financial year and budget was conservative
Fines	15 250.00	824 778.00	809 528.00	-0.98	Increase in fines collection while budget is conservative
Licences and permits	405 587.00	532 855.00	127 268.00	-0.24	N/A
Agency services	1 672 056.00	2 118 000.00	445 944.00	-0.21	Fewer learners and drivers licences issued
Transfer recognised	86 094 031.00	87 664 163.00	1 570 132.00	-0.02	N/A
Other revenue	1 008 721.00	5 241 337.00	-2 305 526.00	0.44	Budget was overstated
Gains on disposal of PPE					
<b>Total Revenue</b>	<b>164 889 428.00</b>	<b>166 341 102.00</b>	<b>4 148 158.00</b>	<b>-0.02</b>	
<b>EXPENDITURE</b>					
Employee related costs	49 767 128.00	60 734 727.00	10 967 599.00	-0.18	Vacancies have resulted in savings
Remuneration of Councillors	8 568 526.00	8 074 000.00	-494 526.00	0.06	New Councillors employed in August resulting in savings
Debt impairment	1 901 807.00	185 974.00	-1 715 833.00	9.23	Increased debt impairment provision due to increased debtors
Depreciation	11 734 606.00	13 868 976.00	2 158 493.00	-0.16	Savings due to disposal and useful life reassessment for assets fully depreciated
Repairs and maintenance	4 852 367.00	7 068 000.00	2 073 633.00	-0.29	Repairs in rural facilities not conducted
Finance lease charges	1 064 794.00	896 791.00	643 344.00	-0.72	New leases resulted in increase charges
Bulk purchases	26 165 356.00	30 851 647.00	4 686 291.00	-0.15	Drop in the consumption of electricity by consumers
Contracted services	3 722 512.00	3 320 790.00	-401 722.00	0.12	Increased security for municipal assets
Transfers and grants	1 812 391.00	2 655 346.00	842 955.00	-0.32	Savings from implementation of budget
Other expenditure	31 343 031.00	46 161 500.00	14 166 000.00	-0.31	Costs containment measures on general expenses
Loss on disposal of PPE	80 245.00	-	-80 245.00		N/A
<b>Total Expenditure</b>	<b>140 971 762.00</b>	<b>173 817 751.00</b>	<b>32 845 989.00</b>	<b>-0.19</b>	
<b>SURPLUS FOR THE YEAR</b>	<b>21 221 182.00</b>	<b>-7 476 649.00</b>			



# APPENDIX F

## DETAILED SCHEDULE OF CONDITIONAL GRANTS AND RECEIPTS

FOR THE YEAR ENDED 30 JUNE 2018

Grant name	Organ of state	Unspent at beginning of year	Received during year	Total Received YTD	Expended during year	Unspent at end of year	% Spent YTD
		R	R	R	R	R	
Small Town Rehabilitation	Province of KZN	3 301 224.02	2 597 837.50	5 899 061.52	5 807 888.34	91 173.18	98%
LIBRARY			771 000.00	771 000.00	771 000.00	-	100%
FMG	Province of KZN	-	1 900 000.00	1 900 000.00	1 900 000.00	-	100%
Electrification			4 000 000.00	4 000 000.00	2 219 027.67	1 780 972.33	55%
LUMS	Province of KZN	73 000.00		73 000.00		73 000.00	0%
MIG	Province of KZN	0	28 685 000.00	28 685 000.00	28 685 000.00	-	100%
Government Expect	Province of KZN	7 889.00		7 889.00		7 889.00	0%
EPWP	Province of KZN	-	1 006 000.00	1 006 000.00	1 006 000.00	-	100%
Disaster Management	Province of KZN	128 003.61	400 000.00	528 003.61	528 003.61	-	0%
Housing			2 695 553.00	2 695 553.00	2 695 553.00	-	100%
		3 510 116.63	42 055 390.50	45 565 507.13	43 612 472.62	1 953 034.51	96%